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NEWS SUMMARY

GENERAL

Scarman inquiry to study Liverpool

Lord Scarman will look at the Liverpool riots as part of his inquiry into the disturbances in Brixton, Prime Minister Margaret Thatcher said yesterday.

She conceded for the first time, under strong attack from Labour in the House, that unemployment was a factor behind the riots, and said she would be visiting Liverpool sooner than planned.

Home Secretary William Whitelaw, outside the House, expressed government "contempt and condemnation" for those responsible for racist attacks. Page 12

Botham quits

Ian Botham quit as England cricket captain after England (311 and 265 for 8 declared) drew with Australia (345 and 90 for 4) in the second test

Nationality vote

The Government beat by 134 to 92 a challenge in the Lords to its British Nationality Bill which would have kept the right to full citizenship for people born on British soil.

Aims for Italy

New Italian Premier Giovanni Spadolini promised to tackle terrorism, restore the economy, control the judiciary and improve standards in public life. Page 2

Polish primate

Pope John Paul named Bishop Jozef Glemp of Warmia as Archbishop of Warsaw and primate of Poland, to succeed Cardinal Stefan Wyszynski.

Woman nominee

President Reagan nominated Sandra O'Connor, an Arizona judge, to serve on the U.S. Supreme Court, the first woman proposed for the job. Page 4

MiG crashes

A Hungarian airforce MiG 21 jet crashed 6km into Austrian territory. The pilot ejected

Ideas on rates

The Government is to suggest four alternatives to domestic rates—a poll tax, a local sales or income tax and central government funding of services. Back Page

Remarriage plan

Church of England general synod agreed that divorced people may remarry in church in circumstances yet to be decided.

Reuters shut

Iran closed the Tehran bureau of Reuters news agency and told its three correspondents to leave the country in two days. Page 3

Skinner banned

Mr Dennis Skinner, Labour MP for Bolsover, was ordered to leave the Commons for the second time in a year. Page 12

Unequal pay

Women are still concentrated in low-paid unskilled jobs, with employers obeying only the letter of equality laws, the Equal Opportunities Commission said. Page 10

Sunny side up

U.S. pilot Stephen Ptacek completed the first solar-powered flight across the English Channel — 180 miles — in 5½ hours.

Briefly . . .

Government scientists have developed dentures for sheep.

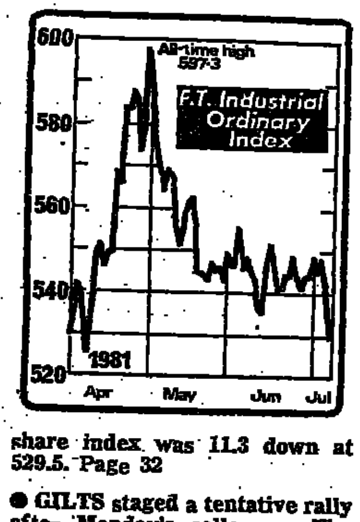
Ben Plucknett of the U.S. set a world discus record of 72.34 metres.

Welsh Tourist Board opened an 18-month festival of Welsh castles.

BUSINESS

Equities off 11.3; dollar easier

● EQUITIES were sharply lower on fears of higher short-term interest artes. The FT 30-share index was 11.3 down at 529.5. Page 32



● GILTS staged a tentative rally after Monday's collapse. The Government Securities index was up 0.09 at 64.76. Page 32

● DOLLAR was easier. It fell to DM 2.4440 (DM 2.45), FFr 5.7780 (FFr 5.8025), SwFr 2.0890 (SwFr 2.0910) and Y 228.65 (Y 230.15). Its trade-weighted index fell to 110.4 (110.6). Page 26

● STERLING finished up 30 points on the day at $1.9035, but fell to DM 4.6550 (DM 4.66) and FFr11.0 (FFr 11.0250). Its trade-weighted index was 93.5 (93.2). Page 26

● GOLD rose $3 to $407. Page 26

● WALL STREET was down 2.38 to 946.92 near the close.

● MILAN stock exchange trading was suspended after a plunge in prices caused by speculators trying to unload large quantities of shares. Page 28

● PROTECTIONIST pressures would be resisted by the U.S. Government, Trade Representative Mr William Brock will tell Congress. Back Page

● FINANCING policies of City lending institutions are rash and overgenerous, Finance for Industry chairman Viscount Caldecote said. Back Page; New investment for FFI, Page 22

● HOME LOAN market share of 14 per cent new lending has been secured by UK banks. Back Page

● JAPANESE machine tool manufacturers plan to increase sales in Europe. Page 6

● CAMBRIDGE PETROLEUM Royalties, UK oil and gas royalty company, told shareholders a £17.5m bid launched by London Merchant Securities was "totally unacceptable." Page 24

● TRICOVILLE, designer, producer and marketer of fashion wear, had its shares suspended at the directors' request. Discussions on a possible offer for the company are taking place with an unnamed party. Page 24

● WILLIAM COLLINS, Glasgow publisher, urged shareholders to reject the revised £25m bid by News International, the publishing group headed by Mr Rupert Murdoch. Page 24

● HARLAND AND WOLFF, the state-owned Belfast shipyard, reported losses of £32m in 1980, some £11m less than the previous year. Page 7

● LINCROFT KILGOUR, cloth merchanting and menswear manufacturing group, is negotiating with an unnamed buyer the sale of its merchanting division, which accounts for some 70 per cent of group turnover. Page 23

● IMPERIAL CONTINENTAL Gas Association reported a pre-tax surplus reduced to £33.21m (£38.35m) in the year to end March. Page 22; Lex, Back Page

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES		
British Benzol	23	+ 2
Mercantile House	878	+ 40
IC Gas	193	+ 18
Doornfontein	860	+ 64
North Kalgurli	78	+ 6
Northern Mining	196	+ 6
Ranfontein Ests.	£22¼	+ 1¼
Vaal Reefs	£30¾	+ 1¼
FALLS		
Arbuthnot Latham	328	− 12
Asscd. Dairies	166	− 8
BAT Inds.	363	− 10
Barratt Dvlpmnts.	224	− 8
Blue Circle	484	− 12
Boustead	160	− 7
Bowater	263	− 7
British Aerospace	224	− 9
Cornell Dresses	163	− 7
Fisons	138	− 9
GEC	733	− 12
Haden	180	− 11
Horizon Travel	252	− 10
ICI	270	− 6
Ladbroke	149	− 5
Mercury Securities	263	− 25
Polly Peck	340	− 13
Polymark	87	− 8
Tube Invs.	132	− 6
Unilever	573	− 17
BP (HMG)	5pm	− 5
CRA	244	− 22
Cent. Pacific Mnrls.	70	− 5
Hampton Areas	205	− 20
RTZ	518	− 12
Sthrn. Pacific Pets.	28	− 6

Miners to challenge Government with 25% pay rise claim

BY CHRISTIAN TYLER, LABOUR EDITOR

THE MINERS set out yesterday to block attempts by the Cabinet and the CBI to achieve wage settlements in low single figures this autumn.

A wages resolution seen by its authors as the signal for a general trade union assault on the Government's financial policies was carried almost unanimously at the delegate conference of the National Union of Mineworkers in Jersey.

In early autumn the union will launch a claim for £100 a week as a minimum in the industry, paid as a salary. This implies an increase in miners' basic pay averaging 25 per cent across the board.

A late effort by moderates to douse the militant spirit of the resolution failed. It is too early to say how hard the miners themselves will want to press the claim but it already looks unlikely that they will be content with the kind of pay rise the Government is counting on.

Miners' leaders who are looking for a general offensive on wages this winter were encouraged by Mr Alan Fisher, chairman of the TUC, when he addressed the conference later.

Mr Fisher suggested that the time had come for a common trade union strategy in the public sector against cash limits, co-ordinated by the TUC itself.

He continued: "We are now in a situation where if we are not careful we shall be taken on one by one and if we are not careful we shall be defeated one by one. If trade unionism means anything at all it means acting together when we have a common interest," he said.

Mr Joe Gormley, the NUM President, commented after the wages debate that it was "completely stupid" for anyone to interpret the claim as an excuse for launching the kind of confrontation which brought the Government down in 1974. But he did not rule out the possibility of a battle.

Mr Gormley and other moderates had tried to mobilise support for a more modest resolution which referred to a responsible approach to wage settlements and sought to achieve a "realistic and reasonable" deal.

Before the conference opened yesterday the national executive voted by 13-12 to support both this and the £100-a-week resolution, the hope being that both would be carried and the negotiators would have some latitude.

In the event, several area delegations abandoned the moderate line and the split in the executive was not reflected on the floor. The moderate resolution was lost by an overwhelming majority.

Militants were conscious last night that their success at the conference is no guarantee that the national executive will dig in for battle over the £100 a week when negotiations open, probably in October.

For the second year they persuaded the delegates to demand a recall to conference to discuss the National Coal Board's "final" offer. That conference, rather than the executive, would decide whether industrial action should be recommended to the membership in the pithead ballot which will almost certainly have to be conducted. Last year the executive ignored a similar instruction to hold a special conference.

Moving the successful resolution on behalf of South Wales, Mr Des Dutfield, area vice president, said that if the Government's political might was being used to depress wages the miners were going to use their industrial might to protect living standards.

Total oil group in move to settle row with Pemex

BY TERRY DODSWORTH IN PARIS

COMPAGNIE FRANCAISE DES PETROLES, the French Total oil group, yielded to Government pressure yesterday and took the first steps to settle a row which has seriously threatened French trade with Mexico.

The conflict was triggered by CFP's refusal to pay an extra $2 a barrel for Mexican crude oil currently selling at the relatively high bench mark price of $30.60 a barrel.

The French group yesterday proposed talks with Pemex, the State-owned Mexican concern. Its decision to seek talks with Pemex followed a meeting of group President M Rene Granier de Lilliac with M Pierre Dreyfus, French Industry Minister, and M Michael Jobert, French External Trade Minister, on Monday.

The row with Pemex has threatened relations between the two countries. Mexico had said it would impose a retaliatory freeze on French industrial contracts.

If this were carried through, it would hit France in its most important Latin American markets. It has made considerable efforts there over the last few years to develop trade and export projects currently on the stocks amount to about FFr 5bn (£454m).

While the French company, which trades under the Total name, refused to comment yesterday, it became clear that the proposed talks were part of a concerted attempt by the French authorities to get relations with Mexico back on to a normal footing.

Following talks with the Mexican Ambassador in Paris, M Claude Cheysson, the French External Relations Minister, said the Government was proposing a common study by the two countries on ways of developing medium and long-term co-operation on oil supplies.

The management independence of French companies, he said, meant their positions did not always correspond with those of the Government. But Compagnie Francaise wanted to find a solution to the short-term problems which had arisen with Pemex.

M Cheysson's statement last night indicates that the company's offer to Pemex was made at the express wish of the Government, which owns 34 per cent of the company's shares and maintains close relations with it.

According to oil industry officials, the group has not been reproached for its action, which followed that of other oil companies in Mexico, including Exxon, of the U.S.

But the Government is nevertheless anxious to find some way out of the dilemma because of the potential impact on French industrial companies, which are active in areas including the Mexican steel and car industries and the Mexico City metro extension.

Hamilton to sell UK subsidiary

BY RAY DAFTER AND IAN RODGER

HAMILTON BROTHERS, the U.S.-based energy group which developed Britain's first North Sea oilfield, is hiving off part of a UK subsidiary with a £14m public offer of shares.

The group is to offer the public a 20 per cent stake in Hamilton Oil Great Britain which, in 1975, brought into production the small Argyll Field. The company's main asset is its 28.8 per cent interest in Argyll, although it has been using the cash flow from oil production to develop a more broadly-based exploration company.

The offer — through stockbrokers Cazenove and bankers Kleinwort Benson—will involve just over 10m shares at 140p each.

Hamilton Oil GB has a number of North Sea prospects, including areas around the Argyll Field which are about to be explored and more fully appraised, undeveloped gas reserves in the southern sector and exploration licences in central and northern sectors.

As part of the sale arrangements, the company has also formed partnerships with two of the Hamilton group's North American interests and has taken a 2 per cent stake in Hamilton International, which has proven reserves and exploration acreage in the North Sea.

Mr Frederic Hamilton, one of the two brothers who head the international energy group, is hoping to use Hamilton Oil GB as a vehicle for oil and gas expansion in the UK and overseas. He has just recruited Mr John Sutcliffe, formerly a managing director of British Petroleum, to be managing director of the British company. Mr Hamilton remains as chairman.

The group is planning to drill

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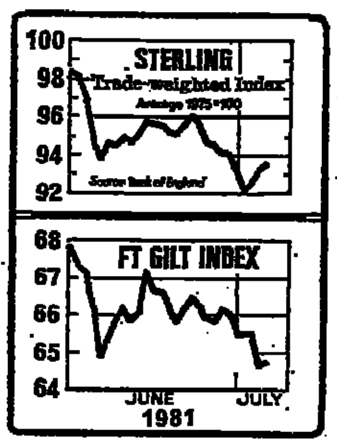

Sterling value stabilised

By Peter Riddell, Economics Correspondent

THE GOVERNMENT has succeeded, at least for the time being, in stabilising the sterling exchange rate after its sharp fall last week.

The pound yesterday consolidated most of its gains of Monday. But both the pound and prices in financial markets fluctuated during the day. This was in response to the contrasting influences of the rise in UK short-term interest rates and the announcement of a smaller than expected rise last month of about ½ per cent in sterling M3, the broadly defined money supply.

The results:

● Sterling closed 30 points higher on the day at $1.9035 compared with a high of $1.9205. The Monday low was less than $1.88. The pound slipped fractionally against the continental currencies and the trade-weighted index of its value against a basket of other currencies rose 0.3 points to 93.5 after a high of 94.1.

● Prices of gilt-edged stocks closed up to ½ higher after being £¾ down at one stage. Equities were depressed by fears of higher interest rates and the FT 30 share index fell 11.3 points to 529.5 after a 7.2 drop on Monday.

The initial market flurry was caused by a further response to Monday's Bank of England move to squeeze very short-term money market interest rates.

Money market rates rose slightly yesterday morning before closing little changed on the day. Consequently, the clearing banks are unlikely to make an early move to change

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£ in New York

	July 6	Previous
Spot	$1.898-899	$1.8950-8980
1 month	1.07-1.12 pm	1.25-1.30 pm
3 months	2.38-2.44 pm	2.60-2.65 pm
12 months	5.00-5.20 pm	5.90-6.10 pm

BSC announces £668m loss as consumption falls

BY ALAN PIKE

A DRAMATIC decline in steel consumption in Britain and severe over-capacity in Europe helped the British Steel Corporation to produce record losses of £668m in the last financial year.

These losses exclude a further £352m which was written off the corporation's asset values or used to finance closure and redundancy costs during the year.

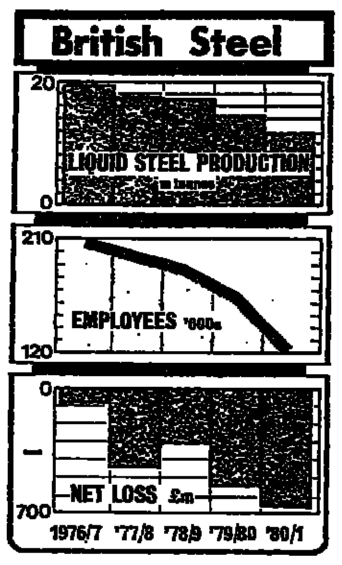
The £668m loss for the 1980-81 financial year, which ended in March, compares with a previous record loss of £545m for 1979-80. However, the overall deterioration in the corporation's trading position is worse than these figures suggest, since the 1979-80 figure includes substantial losses of around £200m incurred because of the national steel strike.

In recent months BSC has been reducing its level of loss through cost-cutting operations, redundancies and productivity improvements and indications are that the corporation should remain within its £730m external financing limit for the present financial year.

Mr Ian MacGregor, BSC chairman, will be reviewing progress on his plan to bring the corporation back to viability with Sir Keith Joseph, Industry Secretary, later this month. The corporation's annual report published yesterday warns that if the plan is not on target "further significant closures will have to be contemplated."

The decline in the steel market was so accentuated that UK steel demand last year was the lowest since 1951. Combined with the decline in BSC's market share after the 1980 strike, this reduced the corporation's steel deliveries to 30 per cent below pre-strike levels.

Mr MacGregor warns in his annual report that the weakness



of steel prices throughout Europe, caused by a persistent excess of productive capacity in several countries, "remains the major threat to the achievement of BSC's corporate plan and hence its return to profitability."

The corporation attaches the highest importance to efforts by the EEC Commission to control production—which it is hoped will raise prices by around 15 per cent—and eliminate Government subsidies.

The many imponderables still facing the corporation are acknowledged by Mr MacGregor when he concludes: "If steel prices improve and market volumes do not fall away, and if the BSC's success in improving productivity and costs continues with full co-operation, the measures now in hand should result in a return to profitability in the not too distant future."

Details, Page 8; Harland and Wolff loss, Page 7

Ford boosts Fiesta output

BY JOHN GRIFFITHS

FORD IS planning to increase production of its Fiesta small car by 75 per cent from 200 to 350 cars a day at Dagenham, Essex, within the next few months.

The company said yesterday the decision had been taken because of the strong rise in sales of the Fiesta, which is Britain's third best selling car, behind the Ford Cortina and Escort.

Despite an 8.2 per cent drop in the UK new car market in the first six months of this year, revealed today in Society of Motor Manufacturers and Traders statistics, registrations of the Fiesta have risen by 18.1 per cent to 61,971, from the 52,469 produced in the first half of 1980.

By the autumn, the Dagenham plant should be supplying between a half and two-thirds of all Fiestas sold in Britain. To date, the majority have been supplied from Valencia in Spain. In this year's first half,

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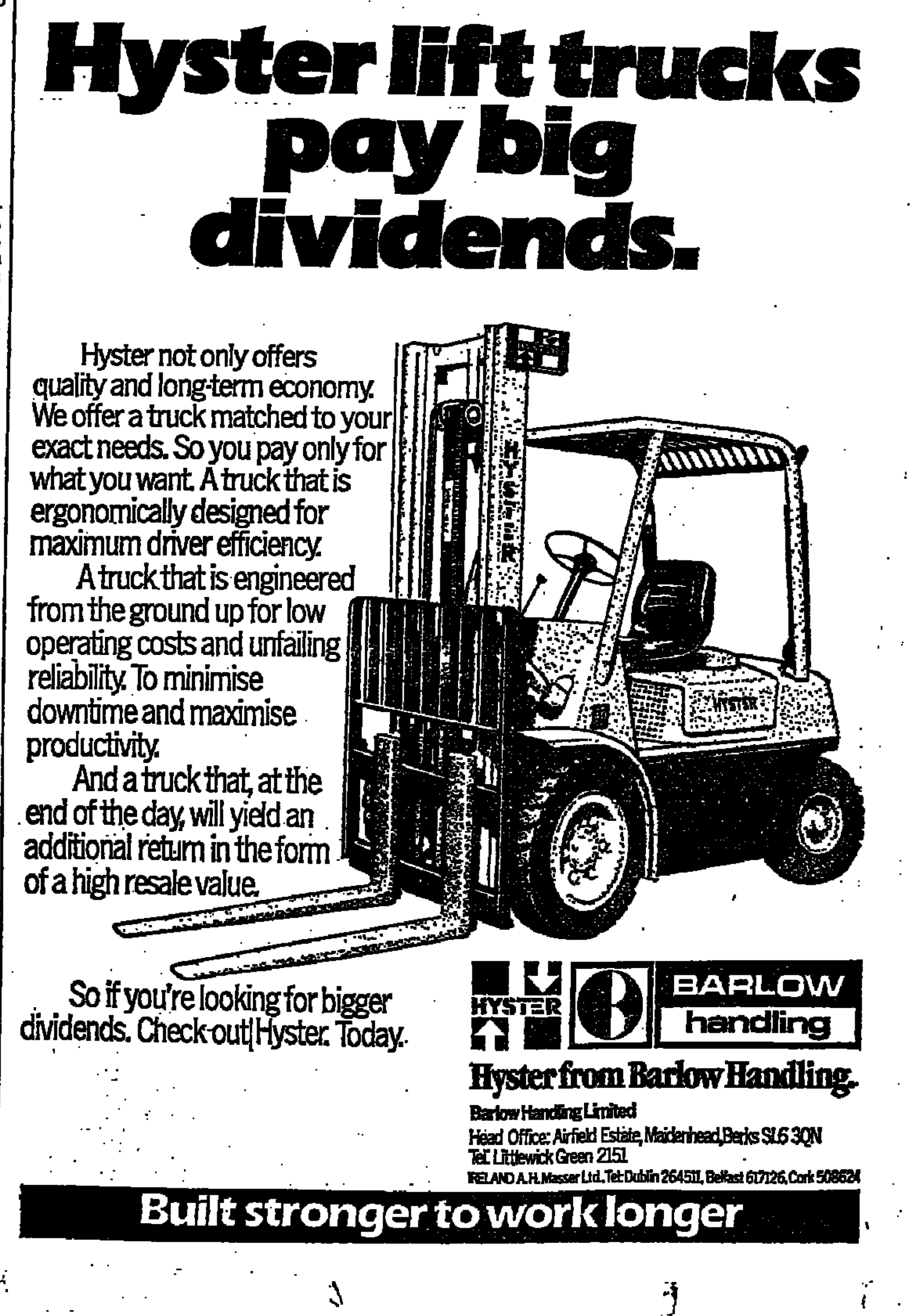

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Spadolini aims to tackle 'four emergencies'

BY RUPERT CORNWELL IN ROME

ITALY'S first non-Christian Democrat Prime Minister in 35 years, Sig Giovanni Spadolini, yesterday presented his Government's programme, aimed at tackling terrorism, putting the economy to rights, bringing the judiciary under better control, and improving the standards of public life.

Sig Spadolini delivered his hour-and-a-half speech to a crowded and silent Senate, which later this week will give its approval to the five-party coalition of Christian Democrats, Socialists, Social Democrats, Liberals, and Sig Spadolini's own Republicans.

In his speech, the new Premier proclaimed that the central task of his administration was to tackle what he termed "the country's "four emergencies" — moral, social and economic, as well as what he described as the "tensions surrounding Italy's international alignment."

The Prime Minister rejected all suggestions that his was a stop-gap Government of "truce or transition." It would, he said, continue the work of its Christian Democrat-led predecessors, while bidding to secure a more constructive relationship with the opposition Communists.

Sig Spadolini's speech differed from those of his predecessors on similar occasions by its insistence on policy rather than Parliamentary alliances — although it remains to be seen to what extent those ever-fluctuating alliances permit him to turn yesterday's pledges into reality.

On the economy, Sig Spadolini promised "firm and rigorous" action to bring the Public Sector Borrowing Requirement, held to be a prime cause of the country's chronic inflation, down to the previous target of L37,500bn (£16bn) for fiscal 1981. In the first five months of this year it had been running at an annual rate of more than L50,000bn (£21bn).

Sig Spadolini indicated that the strategy would involve pruning health welfare and education spending. Meanwhile, credit curbs to maintain the lira would remain in force, while no additional current expenditure by the state would be authorised unless covered by a corresponding rise in revenue.

Despite an increase in the June retail price index of only 1 per cent, inflation is still running at an annual rate of 20.6 per cent, almost double the EEC average. Most forecasts indicate only a small drop before the end of the year.

Turning to the "moral emergency," Sig Spadolini promised legislation to wind up the P-2 Freemasons' lodge, which provoked the fall of the previous administration led by Sig Arnaldo Forlani on May 26. The lodge, he declared, was an "aberrant parallel organisation" in breach of the constitution, which banned secret societies.

On the eve of his speech yesterday, the Prime Minister despatched a circular to all Ministries requesting them to begin disciplinary proceedings against public servants whose names featured in the P-2 lists.

"Turning to the country's magistrates, whose discretionary powers have been the object of widespread criticism recently, the Prime Minister urged internal disciplinary measures in cases where the judiciary behaved irresponsibly. He also promised steps by the Government to improve the right of redress for citizens who suffered from mistakes by magistrates.

Sig Spadolini urged extra incentives for captured terrorists to confess, and canvassed the idea of an amnesty for terrorists who voluntarily gave themselves up for less serious offences and co-operated with the police.

He advocated measures to improve the protection of terrorists who helped police and their families. The Red Brigade are at present holding Sig Roberto Peci, brother of Patrizio Peci, the most important informer so far.

He is one of three hostages still in terrorists hands, after Sunday night's murder of Sig Giuseppe Taliercio, the kidnapped Montedison chemical executive.

Milan Bourse suspended, Page 28

STRIKE PROTEST OVER MURDER

WIDESPREAD STRIKES were held in Italy yesterday in angry protest at the killing by Red Brigade terrorists earlier this week of a kidnapped industrialist. It was the first time that the country's big three labour federations and the employers' organisations had joined in united strike action. In the Veneto region, the half-hour national strike by the unions was extended to four hours.

Past errors blamed for crisis in Poland

By Christopher Bobinski in Warsaw

THE POLISH Government's failure to take corrective steps back in 1974 when signs of economic distortion were already clear is blamed for the present economic crisis in a new Government report.

It has been sent to Parliament and will be presented to delegates at next week's extraordinary party congress. The new and more critical report replaces that rejected by Parliament as totally inadequate two months ago.

The report says that from 15 to 20 per cent of Poland's productive capacity is now standing idle due to raw material and energy shortages. It calls for the introduction of economic reforms by next year, price increases and emergency action to remove bottlenecks. "A basic condition for undertaking these actions is the establishment of a real partnership with the trade unions" but it adds that the present mood of the population limits freedom of manoeuvre in the economic field.

It stresses that the causes of the present crisis can be traced to the errors of the 1960s and 1970s; while the present industrial discontent is only secondary.

Corrections to the Government's strategy of growth through foreign imports in the light of the energy crisis and signs of overheating could have avoided the present crisis, it says. But this was foiled by strong pressure from industrial lobbies for higher investment and failure to introduce management reforms.

The direction of investment is also criticised. Investment favoured heavy industry and the machine-building industry. The giant Huta Katowice integrated steel complex alone took over half the steel industry's investment funds in the 1970s and "was built against the advice of Soviet experts" the report adds. As a consequence, the chemical industry, the power and energy industries and light industry all fell behind.

Poland's foreign debt at the end of April amounted to $24bn in long- and medium-term loans plus $1.5bn in short-term credits. The payments crisis, caused by the inability of export revenue to finance the $10bn capital and interest repayments due this year, has led to a virtual halt in hard currency imports for industry since March, says the report.

Reliance on Western credits is blamed for supporting the erroneous belief that Poland's economy could be modernised through the import of capital goods without economic reforms aimed at more efficient production methods.

As the economic crisis grew the political and economic leadership tried to stave off making such reforms and in the process made things worse. "This was only possible due to the high rate of foreign borrowing," the report says.

"The flow of credits served in the past to hide the real picture of the economy and maintain the growth rate."

● Archbishop Jozef Glemp (52), a close associate of the late Cardinal Stefan Wyszynski, has been appointed to head the Roman Catholic Church in Poland by Pope John Paul II. Archbishop Glemp spent 14 years working in Cardinal Wyszynski's personal secretariat.

The appointment confirms that the Pope and the Polish Church leadership are intent on continuing Cardinal Wyszynski's policies of dampening social unrest and pushing for limited reforms.

Archbishop Glemp, who is a canon lawyer like Cardinal Wyszynski, was promoted archbishop two years ago, to head the diocese of Olsztyn in northern Poland.

Schmidt rules out interest rates clash at summit

BY ROGER BOYES IN BONN

THE possibility of a U.S.-European clash on interest rates at the Ottawa Western economic summit later this month was played down yesterday by Chancellor Helmut Schmidt of West Germany.

The emphasis should be, instead, on the various leaders getting to know each other, adjusting policies on, for example, North-South problems, and a mutual commitment to resisting protectionism, he said.

West German Foreign Ministry officials are also hoping that there will be some discussion of the Namibia problem, although the Chancellor did not mention it.

Criticism of the high interest rates in the U.S. has been voiced by, among other Ottawa participants, West Germany, France, and Japan, who claim that such rates are pegging their own at a disturbingly high level and stifling growth.

However, "there has never been any question in the past of the Europeans combining forces against North America, nor is there any intention to do so in the future," the Chancellor stressed. He was speaking in a West German Press interview.

Although some countries would point out to President Reagan the effects of high U.S. interest rates, "one must not imagine that particularly large changes will result."

This is in line with the recommendations of the West German panel of economic advisers, which said in a report just published that the amount of public sector borrowing was as much to blame for the weakening of the West German economy as U.S. interest rates.

Bonn is thus no longer pinning any great hopes on Ottawa for interest rate drops and will focus, in its 1982 budget deliberations soon afterwards, on cutting public spending.

Her Schmidt seems set, on the other hand, to defend Bonn's proposed pipeline deal with the Soviet Union which the U.S. has criticised because of the risk of an excessive West European dependency on Moscow. "As far as gas pipelines are concerned, I do not intend to be led astray because of the ambitions of American competitors who want to clinch the deal themselves."

A Soviet team is expected to arrive in West Germany soon to reopen negotiations with industry and banks on the planned 5,000-kilometre pipeline.

M Francois Mitterrand, the French President, is due to meet Chancellor Schmidt this weekend for preparatory talks on the Ottawa summit and the German leader again emphasised that Bonn was—in contrast to the U.S.—not disturbed by the presence of Communist Ministers in the French Government.

There was no question, he said, of Bonn being pushed economically closer to Britain and the U.S. because of the fundamentally different economic policies of the Mitterrand Government.

"We have to steer a middle course between the French and Anglo-American economic policies," he said.

French Socialists will reveal plans today

By Robert Mauthner in Paris

THE NEW French Socialist Government's programme will today be outlined in more detail in a message to the two houses of parliament from President Francois Mitterrand and in a major policy speech in the National Assembly by M Pierre Mauroy, the Prime Minister.

The government's programme will be submitted subsequently to a vote in the National Assembly. Given the Socialists' and Communists' overwhelming majority, this will be a formality.

One of the most substantial sections of M Mauroy's declaration will undoubtedly be that devoted to the nationalisation programme, which is expected to be tabled in the National Assembly as early as October.

The government intends to move fast in this controversial field, while it is still enjoying what the French describe as "a state of grace"—the short period of public favour which normally follows any election.

The President and his Ministers are also well aware that any undue delay in implementing the nationalisation programme would seriously undermine the investment programmes of the companies concerned.

It is understood that the government intends to make a distinction between three types of companies due to be taken over by the state.

Different treatment is expected to be accorded to the steel, armaments and banking sectors, due to be totally nationalised, the five big French industrial groups with very diversified shareholdings (St. Gobain, Rhone-Poulenc, PUK, CGE and Thomson) and the three foreign-owned companies (CII-Honeywell Bull, ITT-France and Roussel-Uclaf).

Negotiations are expected to open soon with the foreign groups involved to decide what form the nationalisation of their French subsidiaries will take. Nor has it yet been finally settled how the five big French industrial groups will be brought under state control.

Some members of the government, like M Jacques Delors, the Economics and Finance Minister, are in favour of the state taking no more than a majority stake in the five

Kyprianou returns

President Spyros Kyprianou of Cyprus left Athens yesterday after a five-day visit and talks with Greek leaders on handling problems of the divided island, Reuter reports. Mr George Rallis, the Greek Prime Minister, said at the end of the talks that the Greek and Cypriot governments held an identity of views on further handling of the Cyprus problem.

MEPs vote to continue their 'gypsy life'

BY JOHN WYLES IN STRASBOURG

THE European Parliament yesterday drew back from a confrontation with EEC member governments and decided for the time being to stay with the "gypsy life" and divide its working time between Strasbourg and Brussels.

Although yesterday's decision could effectively close down Luxembourg as one of the Parliament's meeting places, it was a bitter blow for the minority, largely British Conservative members, which had wanted MEPs to base themselves solely in Brussels. They were consistently beaten by a coalition of Christian Democrats and Greek and French MEPs who mustered around 190 votes in each of a series of key votes.

Many regarded yesterday's rejection of a complete move to Brussels, which already houses the European Commission and the Council of Ministers, as further confirmation of the Parliament's distaste for a political fight and a guarantee of its continued ineffectiveness.

However, the majority clearly wanted a bigger effort to persuade the governments to act on the requirements of Community treaties by finally deciding on a single seat for EEC institutions.

Nevertheless, the Parliament did threaten in a more bellicose mood last November to take a unilateral decision on its working place if the Council of Ministers did not make the choice by June 15. In the absence of such a decision, yesterday's votes were a sharp anti-climax. The parliament chose to seek a conciliation procedure with EEC governments aimed at securing agreement on a single seat. In the meantime, it will continue to hold its full session in Strasbourg and its committee meetings in Brussels.

This is unlikely to add greatly to the Parliament's efficiency nor to reduce its cost (around £120m a year), as it is virtually the endorsement of the status quo. MEPs are united in their dislike of Luxembourg, the site of only one sitting this year, which happens, however, to be the home of its 2,000 strong secretariat.

As a result the Parliament looks likely for the foreseeable future to continue spending between £15m and £20m on moving its caravan of files, printed reports and staff between the three cities.

EEC governments are unlikely to be alarmed by yesterday's developments. In March the Community summit in Maastricht confirmed Brussels, Strasbourg and Luxembourg as the provincial seats of EEC institutions—their status for the past 23 years. The strictly legal approach by governments might lead them to challenge the Parliament's right to decide its own working place. But with yesterday's decision largely confirming the status quo, the cool political appraisal by the Ten is likely to conclude that there is no majority for a real change within the Parliament and that therefore no provocation should be offered.

Having recently celebrated its second birthday, the majority of the directly-elected Parliament and its staff are said to have long since adapted to their peripatetic existence.

Passengers leave a "buttership" on its return to Sonderburg, West Germany

Court ruling may put 'butterships' on rocks

BY LARRY KINGER IN BRUSSELS

BUTTERSHIPS MAY be on the way out, never to return, thanks to a ruling by the European Court of Justice.

Mainly a West German phenomenon, "butterships" are vessels which travel from one EEC port to another, or simply return to the same port, on which passengers can buy, at knock-down prices, farm produce such as beef and butter which may already have been subsidised by Community taxpayers.

In a ruling that will be studied closely for possible repercussions on "tax-free" sales from European ferries, the European Court has now said that West German food concerns can take their loss-of-trade grievances to local courts against such ships sailing from Kiel into the Baltic.

The European Commission has been trying since 1977 to persuade the EEC Council of Ministers to outlaw such trade but has been consistently frustrated in its efforts, mainly by the West German Government.

The ships are very popular in northern West German ports, such as Kiel and Hamburg, the latter of which is in Chancellor Helmut Schmidt's parliamentary constituency.

The Commission estimates that annual sales on butterships total about 6,000 tonnes of butter, 1,600 tonnes of cheese and 1,000 tonnes of beef. It estimates the cost to the EEC budget at about £3.7m in lost import levies and unjustified export subsidiaries.

The butter sales, it reckons, represent more than 1 per cent of West German consumption.

Italy accused of disregard for EEC law

BY JOHN WYLES

TWO BRITISH MEP's yesterday rallied to the defence of France's reputation — rather tarnished last year by the French stand against UK lamb imports— as a relatively law-abiding member of the EEC. He drew figures showing that Italy has failed to comply with 14 judgments of the European Court.

Claiming that Italy was displaying a "cynical disregard for community law" the British Conservatives, Mr Richard Cottrell and Mr Eric Forth, have tabled a motion in the European Parliament calling for Italy to be censured. Their tough "law and order" stance goes as far as demanding either a block on all EEC benefits flowing to Italy or a fine of £110,000 for each day of non-compliance.

The information has been supplied to the MEPs by the European commission which, however, has declined to publish it.

"France is always portrayed as public enemy number one as far as compliance with court judgments is concerned," said Mr Cottrell, "but this information shows that her record is very good."

The MEPs have compiled a league table showing that, since January 1973, 28 cases have been brought against Italy for non-compliance with EEC directives. In 22 cases, the court found against Italy, but 14 of these judgments have not been compiled with. Four cases have been brought against France which has competed with each of the four judgments.

Similarly, four have been brought against the UK. According to Messrs. Cottrell and Forth, Britain has failed to implement fully a judgment requiring the introduction of tachographs in lorry cabs. All other members states have had two or less judgments against them, all of which they have implemented.

"These figures also show that the court is a toothless old dog and we are very concerned to obtain new procedures and real sanctions against those who ignore its decisions," said Mr. Cottrell.

Industry export orders down by 10% in May

BY OUR BONN STAFF

EXPORT ORDERS to West German manufacturing industry fell in volume by some 10 per cent in May, apparently dashing hopes of an imminent export-led recovery in the country's economy.

The drop seems dramatically large, but simply reflects an unusual boost given to the April figures by the booking of a number of substantial orders, especially in the capital goods sector.

The April statistics at least partly pointed to the competitive effects of the weakening D-mark against the dollar and the relatively stable level of inflation.

The May statistics, which also show a drop of 6.5 per cent in the volume of domestic orders, indicate that it is still too early to conclude that there has been a permanent upswing in overseas demand.

The effect of the April export boost can best be seen in a two-month year-on-year comparison. April-May 1981 registered, in value terms, a 10.5 per cent increase on April-May 1980 and in volume terms a 6 per cent rise.

Domestic demand is still poor, even on a two-month comparison, showing a 2 per cent drop in volume terms on April-May 1980.

The fragile state of the domestic economy can also be seen in the industrial output figures released yesterday which indicate a drop in all production in April-May 1981 compared with the same period last year, apart from the capital goods sector—up by 2.5 per cent—and the foodstuffs industry—up by 2 per cent. From April to May, production rose by a seasonally-adjusted 1 per cent, a slender increase for the time of year.

Jobs and output forecast to fall again in Sweden

BY WILLIAM DULLFORCE IN STOCKHOLM

SWEDISH INDUSTRY expects further falls in both output and employment during the third quarter of this year, according to the latest business barometer published by the National Institute of Economic Research which surveys expectations among 2,000 industrial concerns.

Industrial performance and indicators have been showing a downward trend for about a year. The latest survey, taken in June, shows that, in general, companies have reduced yet again their production targets for the second half of 1981.

The order intake during the second quarter was lower than expected and a further reduction is predicted on the domestic market during the third quarter. For exports, on the other hand, the companies bank on orders remaining steady.

Manufacturers of transport equipment are the most optimistic. They booked larger orders in the second quarter and expect the trend to continue. Both Volvo and Saab, for instance, expect to make more cars this year than in 1980.

The chemical and foodstuffs industries expect larger orders while timber, steel and engineering producers believe their order books will continue to decline. The paper and pulp mills also think that orders will fall during the third quarter.

Although many have already reduced production, more companies in the June survey considered that their stocks of unsold finished goods were too large.

About a quarter of the companies expected to produce less in the second than in the first half of the year. A quarter reported that they would be shedding staff during the rest of the half.

Socialist victory fails to panic the solid citizens of Lyons

BY DAVID HOUSEGO IN LYONS

The prosperous business community centred on Lyons has for a decade been the most dynamic growth in France. Problems now lie ahead, but the industrialists of the region see virtues as well as threats in M Mitterrand's economic programme.

"THERE ARE few large cities in Europe that these days give such a feeling of buoyancy and prosperity," said an admiring foreign visitor. Looking across the Saone as it winds through the centre of the town to the elegant curve of facades and terraced houses along the river, Lyons gives an immediate impression of the solid bourgeois virtues of comfort and hard work.

Lyons kept in step politically with the national trend recording a swing in favour of M Francois Mitterrand and the Socialist Party during the Presidential and Parliamentary elections.

But it remains a fundamentally conservative town, dominated by a ruling establishment with a strong tradition of family business. It is the centre of a region which remains tilted to the right. Of 13 parliamentary seats in the Rhone region, in which Lyons is the capital, the right retained seven.

Among the complaints of M Guitton, regional president of the PME (France's small businesses association) is that the new Socialist tax on large fortunes has dealt a blow to entrepreneurs like himself, who finance investment out of personal capital.

The most appealing part of M Mitterrand's package for the Lyonnais is the promise it holds of genuine decentralisation, though they remain sceptical of what will actually be achieved after the collapse of similar hopes fostered by President de Gaulle and President Giscard d'Estaing.

Overshadowed by Paris, Lyons is resentful that it has never achieved the independence and status of such comparable European cities as Frankfurt, Milan or Birmingham. Major French banks and companies have devolved more power to their Lyons branches than they have to those in other French cities, but they nonetheless hold them on a tight leash. To travellers down the autoroute from Paris, Lyons' claim to glory is as the gastronomic capital of the world.

Its consolation is that the major projects for the region—the motorway and train network, the new airport at Satolas, the expansion of education facilities, the massive investment in nuclear and hydro-power—which made this for over a decade the most dynamic growth area in France, have nearly all been completed.

Of late, the state regional development agency (DATAR) has been attempting to shuffle new industrial investment away to less favoured areas. The Socialist administration is likely to encourage that trend. So Lyons is aware that future expansion depends on pulling itself up by its own boot straps.

Until two years ago, industrial production was still climbing faster than the national average. Since then, in the eight regions of the Rhone-Alpes perimeter the rate of growth has fallen back, in line with the slow-down nationwide. Unemployment has risen to about 6 per cent.

The sector most strongly affected has been textiles where the chemical group Rhone-Poulenc alone has shed some 5,000 workers from its textiles division whose factories lie mainly in the Lyons area. The second major employer in the town, Renault Vehicles Industriels (RVI) formed largely out of taking over the truck manufacturers Berliet and Saviem, has also cut its workforce in a reorganisation that has brought it into profit

Indicative of the restructuring that has been taking place and a sign of continuing potential strength has been the shifting pattern of employment. While in the Rhone-Alpes area industrial employment fell 9.5 per cent between 1975-1980 (as against 5.9 per cent for France), employment in the service sector including banks, data processing companies and research organisations rose by 13.3 per cent. This compares with 8 per cent for France as a whole.

Strikingly, the number of international banks establishing offices in Lyons has almost tripled in five years to 66. The number of international accounting firms has risen from three to nine in two years.

It is as an international centre able to serve a market that takes in broad swathes of France, Switzerland, Spain, Italy and Germany, all easily accessible from Lyons through the network of motorways and trains, that the city has been selling itself with considerable success.

Thus Black and Decker has shifted its headquarters for south Europe to Lyons. Fisons has made Lyons the centre for its French pharmaceutical operations. Foreign investment, climbing more sharply than French private investment in the region, now accounts for 10 per cent of industrial employment.

The local business community, while not showing the panic that at one moment gripped Paris, is deeply worried by a combination of uncertainties—recession, high interest rates and rising inflation, and the Socialist Party programme.

The number of companies going into liquidation has risen almost one a day—including recently the textile firm Bianchini Ferier. The pace is likely to accelerate over the summer and autumn as small sub-contracting companies run into deeper financial problems.

Out of caution, the fast expanding toy company, Majorette, has cancelled a small investment project in Brazil and has suspended plans to purchase a new site for development in Lyons. Some 20-25 foreign investment projects in the pipeline in the region are under review.

Uncertainties over the Socialist Party's programme stretch from the broader issues of whether the Government will increase workers' powers to be consulted over recruitment redundancies and investment, to the future of France's nuclear power programme—in which many companies in the region have invested as equipment suppliers.

Dutch Ford sit-in to end

By Our Amsterdam Correspondent

FORD NEDERLAND obtained a court order yesterday which will end within 24 hours the occupation of the offices and factories of its Amsterdam lorry assembly plant. The court also ruled, however, that Ford may not close the plant or cut jobs substantially before the outcome of an official inquiry into its policies and the need to cease operations.

The Amsterdam plant, which employs about 1,300 people, was occupied by its workers nearly two weeks ago. Ford said it wanted to close down the plant in September because of rising losses which it could no longer sustain.

● Dutch unemployment rose to a post-war record of 374,300 in June from 363,300 in May and 239,700 in June last year.

Ford strike in Brazil, Page 4

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Move to solve Australia wage fixing crisis

BY COLIN CHAPMAN IN CANBERRA

AUSTRALIA'S Arbitration Commission has called an emergency meeting of Government, unions and employers late next week to discuss the country's centralised wage-fixing system which appears close to collapse.

Australia is facing a new wave of strikes affecting docks and transport, and possibly a renewed threat to telephones and postal services. The Conciliation and Arbitration Commission, headed by Sir John Moore, is trying to find a way out of the crisis which has grown over the past six weeks.

Sir John's move yesterday came as a surprise as newspapers called for urgent action to restore order to national wage bargaining.

The Australian, in a main editorial, stated baldly that for the second time in less than 10 years, Australia was on the verge of "economic suicide."

Wage rises in the March quarter were running 13.2 per cent higher, as against settlements of 7.8 per cent in the U.S., 7.7 per cent in Japan, and pay rises below 10 per cent in Britain, it declared.

The events which have culminated in the Commission's move include:

Last week's decision by a remuneration tribunal to give a 20 per cent wage rise to politicians and senior public servants and the West Australian Industrial Commission's decision to allow negotiations on shorter hours;

Widespread white collar union strikes or other forms of industrial action following the settlement last month by telecommunications workers employed by Telecom, and a looming Transport Workers Union dispute in which both the employer—the Australian Road Transport Federation—and the union want to settle, but are constrained by wage guidelines.

Probably the most serious current disputes are affecting Australia's ports. The Port of Melbourne has been virtually closed for almost a month and the Victorian State Premier yesterday warned that thousands of workers would be laid off if the disruption continued.

Seven ships have by-passed Melbourne, 33 have left without cargoes and 11 are waiting to go into the docks.

Cargo is idle in the ports and Mr John Vial, Executive Director of the Victorian Chamber of Commerce, said the dispute was doing "unbelievable damage to Australia's credibility as a trading nation."

The position is not all that much better in New South Wales, where large shipments of coal destined for Japan and Europe have been held up for weeks.

Cause of the delay is a long-standing and bitter dispute between unions as to who should operate a new coal-loader to be built at the Port of Newcastle.

It now seems clear that neither unions nor employers have much faith in the arbitration system. Particularly, they dislike the proposal adopted at the last major review, whereby workers get 80 per cent of two quarters' rise in the consumer price index automatically, and have to haggle about price rises during the other two quarters of the year.

The view is now widespread in Australia that the arbitration system should be abolished and replaced by collective bargaining and enforceable contracts on the lines of the U.S. system.

China's industrial output rises

PEKING — The value of China's total industrial output rose slightly to Yuan 248.67bn (£74.23bn) in the first half of this year, compared with the same period of 1980, according to the New China news agency.

The extent of the rise was not given.

Light industrial output value increased by 11.6 per cent to Yuan 125.25bn, contributing 50.4 per cent of the total output value.

China is putting greater emphasis on light industry at the expense of heavy industry as part of its economic retrenchment programme. The programme also includes cuts in capital construction.

Reuter

Iran may sell gold on domestic market

By Terry Povey in Tehran

IRAN'S Central Bank may sell gold on the domestic market in order to force prices down, its governor said yesterday. The move may involve Iran buying gold aboard.

Dr Mohsen Nourbakhsh blamed profiteers for the fact that the Government-minted "Azadi" gold coins were selling at more than four times international levels on the uncontrolled domestic market.

Gold, a traditional refuge of the Iranian merchant and the small saver in periods of political crisis, has been much in demand in Iran over the last two years. Eighteen months ago the Azadi coins, which contain just over seven grammes of gold, were selling for Rials 9,700 ($140). At the end of June, after the dismissal of Mr Abolhassan Bani-Sadr from the presidency and the bomb explosion that killed 74 of the region's leaders, it had risen to Rials 39,000 ($480).

"World gold prices are low and if the profiteers continue, then we will buy gold on the international market and sell it within the country," said Dr Nourbakhsh. "I am sure we could make a considerable profit on this."

Iran's Central Bank is believed to have about $1bn in gold reserves of its own, though much of this is kept abroad.

In the 24 hours between Dr Nourbakhsh's statement and its publication yesterday, Rials 2,000 were clipped off the coin's market price and it stood at 37,000. The Azadi was yesterday selling at $460 in Iran compared with its international gold value of $104.

Spot prices for gold yesterday averaged $403. Gold coins are used in Iran both for saving and decoration as jewellery and are often given as gifts to newlyweds. In the villages they, or the half and quarter coins, are sewn onto traditional dresses.

On Iran's money supply, Dr Nourbakhsh said yesterday the Central Bank would not issue any new notes except for those replacing the currency of the previous regime. The bank's reserves of foreign currency were "enough to meet our needs for quite a long time," he said.

On the settlement of outstanding claims between Iran and the United States, arising from the agreement which freed the U.S. hostages in January, the governor said that 2,200 to 2,500 of the claims were for amounts of less than $½m, which did not, therefore, have to go before the Hague arbitration board. These small claims would be dealt with by examining contracts and other legal documents, he said.

Dr Nourbakhsh referred specifically to the contract between Iran and a U.S. company for the completion of the work on the $1bn Sarcheshmeh copper mine and extraction scheme.

● Nine more executions were reported in Iran yesterday. Four of these were of members of the People's Mojahedin organisation, and the rest belonged to different left-wing groups.

Some of the left wingers are to be denied burial in Moslem cemeteries for being "innate renegades," ruled one revolutionary judge.

Also yesterday the deputy governor of Gilan province died of the wounds he received in Monday's terrorist attack, in which the governor general was killed.

Reuters told to quit Tehran

By Terry Povey in Tehran

THE TEHRAN office of Reuters news agency was ordered closed yesterday in the latest move against the Press in Iran.

The agency's three journalists were given 48 hours to leave the country by government officials.

Unhappiness with reports of the recent events in Iran has been reflected by a campaign against foreign journalists in the Press, in which they have collectively been labelled as spies.

Over the last four days, Reuters has been singled out for sustained criticism by semi-official sources.

With Associated Press (AP) and United Press International (UPI) expelled from Iran almost a year ago, the decision to expel Reuters leaves Agence France Presse (AFP) as the only major international news agency represented in Iran.

Also yesterday Mr David Hirst of the Guardian newspaper left Iran, following an expulsion order. Press cards have been withdrawn from a number of other journalists, including the correspondents of The Times and the Canberra Times.

Israeli aircraft hit, Syria claims

BY LOUIS FARES IN DAMASCUS AND JAMES BUCHAN IN LONDON

SYRIA yesterday claimed its forces in Lebanon shot down an Israeli pilotless reconnaissance aircraft, the eighth since the eruption of tension between the two countries over the installation by Damascus of surface-to-air missiles in east Lebanon in April.

The Syrian claim has brought back to the fore the issue of the missiles, which had been dormant during the period of the Israeli elections.

It also coincides with the departure from Washington of Mr Philip Habib, the U.S. special envoy charged with defusing the missiles crisis, to continue his shuttle between the various capitals.

Damascus yesterday remained as cool as ever over the Habib mission with the Government newspaper, Tishrin, warning: "We, as always, shall not bow to any threats and our position remains unchanged."

Reports of joint naval exercises with Soviet units off the Syrian coast, which have yet to be independently confirmed, nevertheless underline Damascus's grim determination not to give ground over the missiles in the Bekaa valley. It claims they are a legitimate defence for its 25,000 troops that are nominally peace-keeping for the Arab League in Lebanon.

Syria also yesterday maintained its pressure on Lebanon's right wing Christian forces, and through them on Israel, with a warning that Syrian troops will strike at the militias if they do not cut their links with the Jewish state.

Tishrin warned yesterday that if the Christian Right, controlled by the Phalangist Party, did not commit itself not to deal with Israel, Syrian troops of the Arab Deterrent Force in Lebanon "are ready to settle the issue."

Syria is extremely anxious that the Phalange relationship with Israel for the supply of weaponry and training could, under a second-term Mr Begin, provide the Jewish state with a bridgehead into Lebanon and, ultimately, a second Syrian front with Israel.

The attempts of Arab mediators, led by Saudi Arabia, to provide a solution to the internal crisis between the Christian Right and Syria and Lebanese allies have so far foundered on Syria's insistence that Israeli ties be broken before any further negotiations can be held.

However, there is growing evidence that the chief architect of the Israeli relationship, Mr Bachir Gemayel, the commander of the Phalange militia, is under increasing pressure to break the link after three months of heavy shelling by the Syrians and, particularly, after last week's Phalange withdrawal under Syrian safe-conduct from the outlying town of Zahle.

The pressure stems not only from other Christian leaders and the Arab mediators but from President Elias Sarkis, who is clearly acting as a restraint on the Syrians and is, nominally, Commander-in-chief of the ADF.

Mr Gemayel said yesterday that he had told the president that the Phalange would adopt any attitude to help the Arab mediators to find a political solution to the crisis. His father, Sheikh Pierre Gemayel, who founded the Phalange Party, went further: "We stress our readiness to assure that there are no relations between ourselves and Israel," he said yesterday. "If some consider the buying of arms as co-operation, then we are in a position to rectify this view."

The Israeli military command said yesterday that a pilotless drone plane crashed in Lebanon because of a technical defect.

The military spokesman denied that the aircraft was hit by Syrian anti-aircraft fire.

Further blow to Premier Suzuki's prestige

BY CHARLES SMITH, FAR EAST EDITOR IN TOKYO

THE POOR showing of Japan's ruling Liberal Democratic Party in Sunday's municipal elections in Tokyo is being seen as a further blow to the prestige of Prime Minister Zenko Suzuki.

The LDP had hoped to win 64 seats in the election or enough to give it an overall majority in the 127-seat municipal assembly. In fact it won only 52—three less than at the last election in 1977.

The centre-right coalition which links the LDP with two other parties retained its control over the assembly despite this setback, but the LDP's position within the coalition has been seriously weakened.

What matters more from a national political viewpoint is that candidates supported by Mr Suzuki and his close political ally, former Prime Minister Kakuei Tanaka, did worse in the election than candidates supported by other factions of the ruling party.

Suzuki-supported candidates had a 70 per cent success rate in the election while those backed by, for example, the faction of former Prime Minister Takeo Fukuda, scored a 90 per cent rate.

Mr Kakuei Tanaka—the discredited former Prime Minister who is still on trial for his role in the 1976 Lockheed bribery case—managed to secure election for only 68 per cent of his followers despite personal appearances at a number of important election rallies. Support from Tanaka was even blamed for the defeat of one incumbent assembly member who had confidently expected re-election.

Mr Tanaka, who has been a power behind the scenes but never an "on stage" actor since his resignation from the premiership in 1974, seems to have planned to use the Tokyo election as a means of strengthening his hitherto weak power base

In order to do so he broke a self-imposed ban on the acceptance of public speaking engagements for the duration of the campaign. The effect was disastrous—at least in terms of voter response—even though Tanaka told supporters that he would be a *hitoyose panda* (crowd drawing panda).

The turnout at the Tokyo municipal elections was only 54 per cent, the lowest on record. Highly organised parties such as the Japan Communist Party (JCP) and the Kometito, or clean Government party, sharply increased their share of the total vote. This was due in part to their ability to get supporters to the polls. LDP supporters stayed at home in droves, apparently disillusioned with the electioneering tactics of Mr Tanaka and Mr Suzuki.

The Tokyo election setback is not expected to provoke an immediate move to replace Mr Suzuki as LDP party leader and Prime Minister. However, the result can hardly be said to strengthen his standing in the party. This could matter considerably in view of the damage already done to Mr Suzuki's reputation by the foreign policy controversies of the past few months.

Iraqi claim may signal new tension with Kuwait

By Richard Johns

A PUBLISHED restatement of Iraq's claim to the island of Bubiyan in the Gulf by President Saddam Hussein may signal renewed tension in relations between Baghdad and Kuwait.

President Hussein made the claim in an interview with the Kuwaiti newspaper Al Anbaa. Having reiterated the claim, he proposed that Kuwait should grant Iraq a 99-year lease on the island.

Talks on the long-standing border dispute are understood to have taken place in May but to have broken down with some ill-feeling on both sides because of an Iraqi demand that Kuwait should cede the eastern half of the island.

The issue has been dormant since 1977, though the subject of intermittent consultation.

Iraq has long sought its own port facilities on the Gulf, thus doing away with its dependence on Iranian and Kuwaiti goodwill for access to the waterway.

One of its main objectives in the war with Iran, now nearly 10 months old, is to obtain Tehran's recognition of its sovereignty over the Shatt al-Arab estuary.

Diplomats speculated that the timing of President Hussein's revival of the issue may be related to the Ba'athist régime's frustration over the stalemate in the war with Iran.

President Hussein appeared to be deliberately intent on arousing his neighbour's apprehensions when he referred to those arrested in connection with four explosions in Kuwait late in June as "our Palestinian brothers." The Kuwait Government has sought the extradition of two other men believed to have fled across the border.

AMERICAN NEWS

Wholesale prices boost Reagan's tax-cut hopes

BY REGINALD DALE, U.S. EDITOR, IN WASHINGTON

FURTHER evidence of an easing of inflationary pressure in the U.S. came yesterday with only a moderate 0.6 per cent rise in wholesale prices for June.

It was good news for President Ronald Reagan as he set off for Chicago to open the public campaign for his tax cuts, which he wants to see passed by Congress by the end of this month.

The June increase in wholesale prices, or what is known in the U.S. as the producer price index, was slightly higher than the May rise of 0.4 per cent. It was largely attributable to renewed increases in the cost of food, home heating oil and natural gas, the Labour Department said.

But the year-on-year figures show a continuing decline since reaching a peak of almost 15 per cent last August. Yesterday's figures showed prices of finished goods rising only 10.2 per cent since last June—the lowest rate for well over a year.

One private forecaster summed up the general mood as being "that inflation is no longer Problem Number One here." If so, that should help President Reagan in his drive to get his tax Bill through Congress.

As the economy slows and inflation eases, he is in a stronger position to argue that his tax cuts will not lead to overheating, as his opponents allege.

The President's advisers say he is still confident that Congress can pass the tax Bill by the August recess. But he acknowledges that it is going to be a tough fight—tougher perhaps than the battle over spending cuts which he won so spectacularly 10 days ago.

Mr Reagan has to cope with determined Democratic opposition in the House of Representatives to his proposed tax cuts—25 per cent over 33 months. Moreover, as Congress reconvened yesterday after the Independence Day recess, it was clear that time could run out before the legislative process is completed.

Senator Robert Dole, chairman of the Senate Finance Committee, has said that the Bill endorsed by his Republican-dominated committee, which reflects the President's proposals, should reach the Senate floor by mid-July.

But the constitutional initiative on taxes lies with the Democratic-dominated House Ways and Means Committee, which is preparing a 15 per cent income tax cut spread over only two years.

Thus, the Democratic leaders can control the timing, though not necessarily the final outcome, of the tax Bill and they do not see Mr Reagan's need for urgency.

The President on the other hand, wants to get the Bill through before his personal popularity has time to dissipate. He also wants to be in a position to lay evidence of the rapid progress of his economic programme before the forthcoming seven-nation economic summit in Ottawa.

Mr Donald Regan, Treasury Secretary, said the latest figures were "very encouraging." "We think all the inflation indices now will be staying down," he added.

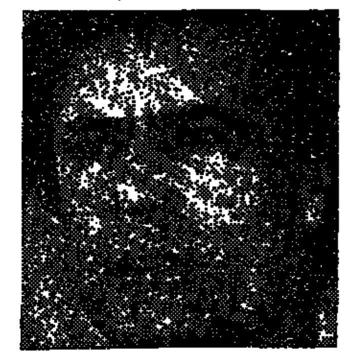
Oil buyers' squeeze threatens economies

BY PATRICK COCKBURN

LIBYA LOST 25,000 barrels a day of potential oil exports a few days after telling oil companies early last week that the reduction in the Libyan oil price would be only $1.10, according to the authoritative Petroleum Intelligence Weekly.

At the same time Mexico may lose as much as 700,000 b/d or 45 per cent of its exports following an attempt to raise its oil price by $2 shortly after a $4 cut in June. This is serious for a country facing a current account deficit of $11bn this year even before companies started cutting their contracts.

It is the North African producers and Mexico which are coming under heaviest attack from the oil companies. Their prices are the highest. Their bargaining position has been badly hit by Britain's decision to cut the price of its North Sea crude to $35. They are also more dependent on the U.S. market than most members of the Organisation of Petroleum Exporting Countries.



Col Muammer Gadaffi

Most of the countries under attack have great need of their oil revenues. Mexico, Algeria and Nigeria have large populations and big development schemes. This makes them different from Gulf producers such as Kuwait, with a population of only 1.5m and $67bn in reserves. Nigeria has only $5 in foreign reserves, down by almost half since February, and a population of over 80m.

Colonel Muammer Gadaffi's libya is more happily placed, with a population of 2.6m and serves of about $13bn, but the country has very heavy defence and development commitments.

The producers might be able to sustain a steep drop in revenues over the third quarter of the year but a drop in exports of the dimensions now envisaged extended over the rest of the year would place Nigeria and Mexico in financial trouble. Some 90 per cent of Nigeria's export revenues come from oil.

As yet there is little sign of the producers lowering their prices. Political prestige and maintenance of the oil price has become closely linked. The chairman of Pemex, the Mexican state oil company resigned following the cut in his country's oil price.

Algeria has, however, told Japanese importers that it is dropping the price of its condensate fuels derived from gas, by $3.50 to $35.50.

Mexico is taking a rather different tack from the North Africans by putting political pressure on the French and Japanese Governments. A Ministry of International Trade and Industry official in Tokyo yesterday denied that his Government had already decided to encourage Japanese oil companies to raise their purchases of Mexican crude to 300,000 b/d by the end of 1982. He admitted, however, that a Mexican proposal to this effect was being considered.

The dilemma facing Governments in importing countries and the oil companies is to balance the immediate advantage of getting cheaper oil elsewhere against the long-term danger of alienating the producers.

Mexico's third-quarter oil exports are cut by half

BY WILLIAM CHISLETT IN MEXICO CITY

MEXICO'S OIL exports have been cut by half in the third quarter of the year as a result of clients contracting for reduced supplies.

According to Western diplomats, the reductions now total some 700,000 barrels a day rather than the 550,000 b/d admitted so far by Pemex, the Mexican state oil concern.

At the same time, commercial banks are reporting a significant increase in capital outflows. According to one senior banker about $5bn (£2.6bn) has left the country since the beginning of the year, $1.5bn of that in the six weeks since Mexico's oil picture changed dramatically at the beginning of June.

Mexico reduced its oil price by $4 a barrel to $30.60 for its benchmark crude last month and is now fighting a rear-guard action to increase the price again. But clients are backing away from Mexican oil supplies.

The banker claims that his estimate is accurate within a 25 per cent margin. Finance Ministry officials have been denying that there has been any significant increase in capital outflow.

The reduced oil revenue of several billions dollars and the capital flight problem, Mexican bankers say, are likely to bring greater pressure to bear on the Mexican peso.

The central bank has been allowing the over-valued peso to slip by just under 1 per cent a month against the dollar since the beginning of the year.

Thirteen of the 17 U.S. oil companies, which have been taking a total of 752,000 b/d from Mexico are now reported to have suspended or reduced their oil supplies. These cutbacks total 560,000 b/d.

Four companies have committed themselves to continuing to take a total of 160,000 b/d and the fate of a further 87,000 b/d has still to be decided.

On top of this, France has suspended its supplies of 100,000 b/d, and Sweden, India, Yugoslavia and the Philippines have also suspended or reduced supplies. Faced with this Mexico will soon have to reduce output if it has not already done so.

Pemex has so far made no announcement to this effect. But it is believed that once its second quarter commitments are fulfilled, Pemex will slow down production, which, in June, was reported to be approaching 2.75m b/d.

Woman for Supreme Court bench

By Our U.S. Editor in Washington

PRESIDENT REAGAN made U.S. history yesterday by appointing the first woman to serve on the U.S. Supreme Court. In a brief statement to reporters at the White House, Mr Reagan confirmed that he had chosen Mrs Sandra O'Connor, a Judge of the Ariona Court of Appeals, to succeed Justice Potter Stewart, who reaired last month.

Mrs O'Connor, 51, who has been described as "a judicial conservative but flexible," now faces final clearance by the Federal Bureau of Investigation and Senate confirmation.

The choice of a woman fulfils a campaign commitment by the President. But he stressed yesterday that he was not putting her name forward simply because she was female. That would not have been fair to women or to future generations.

The President described Mrs O'Connor as "truly a person for all seasons, possessing those unique qualities of temperament, fairness, intellectual capacity and devotion to the public good."

The appointment could be the first of several opportunities that Mr Reagan will have to stamp his conservative beliefs on the face of American society—a chance denied to President Carter, who made no Supreme Court appointments.

Service on the court is for life, unless a justice chooses to retire, and five of its nine members are now over 70. The importance of the Supreme Court in moulding American society is often underestimated outside the U.S., where attention tends to focus on Presidents and politicians.

An active Republican, Mrs O'Connor served two full terms in the Arizona state Senate, where she was elected majority leader. She was elected a Superior Court Judge in Phoenix, Ariona, in 1975.

Bank of Japan backs U.S.

TOKYO — Mr Haruo Maekawa, Governor of the Bank of Japan, said yesterday that the bank supports U.S. monetary policy to combat inflation by restricting money supply—despite the undesirable international impact produced through high U.S. interest rates.

The U.S. was depending too much on monetary policy to fight inflation, but a certain imbalance was inevitable, as there was no other way to end inflation quickly.

U.S. monetary policy was beginning to produce results, as measures succeeded in breaking built-in inflationary expectations created in the U.S. economy in the past decade, Mr Maekawa went on.

U.S. interest rates should be slightly lower than at present, but were unlikely to fall to single digits for some time.

Japanese prices were stable and the balance of payments was in equilibrium, so there was no domestic reason for Japan to raise its interest rates

Reuter

Trudeau rejects legislation against postal strike

BY VICTOR MACKIE IN OTTAWA

THE Canadian Government appears reconciled to a postal strike throughout the summer. The stoppage is already tying up business and aggravating economic difficulties across the country.

Mr Pierre Trudeau, the Prime Minister, has told Parliament that he sees no sense in legislating for postal workers to return to work when their union leader has said that he will defy the law.

Looks of disbelief crossed the faces of the Conservative and New Democratic Party opposition MPs when the Prime Minister indicated that his Government would be taking no action to try to bring about an early end to the strike, now in its eighth day.

The dispute involves demands for increased pay, an end to television surveillance in the post offices and a demand for 17 weeks' maternity leave with pay.

Mr Trudeau told Parliament: "We do not want to legislate a union-back for many reasons, but at this particular time, when the union leader says he would go to jail rather than obey the law, I do not know why Members suggest legislation."

Mr Ray Hnatyshyn, a western Conservative, promptly accused the Prime Minister of being afraid to legislate because there was some doubt whether the full force of the law would be brought to bear on those who did not obey it.

Outside the House, Opposition MPs expressed amazement that the Government, which is talking about taking the summer recess from next weekend, was prepared to allow the economy to struggle through the summer with no mail service of any kind. Private couriers are attempting to provide a service.

Mr Jean-Claude Parrot, president of the Canadian Union of Postal Workers, whose 23,000 members are involved in the strike, hinted to reporters that he would defy a back-to-work Bill. Mr Parrot went to jail in 1978 for defying back-to-work legislation.

Record levels for May mortgage rates

By David Lascelles in New York

U.S. mortgage rates hit record levels last month, according to the latest report of the Federal Home Loan Bank Board, which regulates the home loan industry.

The monthly rate survey showed that the standard 25-year mortgage cost an average 16.75 per cent, up from 16.12 per cent in May. This was the direct result of the near-record levels at which U.S. interest rates have stuck for the last couple of months.

Because of the huge outflow of savings from the savings and loans institutions, which perform the role of building societies, home loan-makers are increasingly having to finance their operations in the costly money markets.

The high level of mortgage rates has brought the housing market to a standstill in many parts of the count

Peron appeals

Lawyers acting for former President Maria Estela Peron of Argentina who was freed from house arrest on Monday say they will appeal against a ban on her political activity, Reuter reports

Ford workers strike in Brazil over sackings

SAO PAULO — About 12,000 Brazilian car-workers went on strike yesterday, shutting down production at the plant of the Ford Motor Company's Brazilian subsidiary in Sao Bernardo near here. The strike is over the sacking last week of 700 fellow-workers, the metal workers' union said.

The men voted in two meetings to stay out until their sacked colleagues—400 at Sao Bernardo, and 300 at other works—were reinstated.

The company said production at the plant, where Corcel and Del Rey cars are made, did not resume after the weekend.

An official said the sackings were necessary because of declining sales, especially in the Brazilian market. Ford employs a total of 21,000 people in Brazil and sold only 66,500 cars in the first six months of this year, against 74,700 in the same period last year, the official added.

Reuter

Victor Mackie reports from Ottawa: Canadian sales of North American-built cars and trucks dropped 5.2 per cent in June, compared with the corresponding month last year. This followed a 2.8 per cent decrease recorded in May.

Canada's four biggest automobile manufacturers recorded combined June sales of 87,704 cars and trucks, down from 92,495 in June 1980.

Automobile industry officials blamed spiralling interest rates for the sales drop.

Silver futures swindle alleged

NEW YORK—A Saudi Arabian investor has filed a suit in New York alleging that a Swiss bank and its investment advisers cheated him of more than $250m, mainly through transactions in silver futures contracts.

The suit was filed in a District Court by Mr Mahmoud Fustok, who gave an address in London.

The Geneva-based Banque Populaire Suisse and its officers and the Advicorp Advisory and Financial Corporation and its officers were named as defendants.

The complaint said that beginning in 1977 or 1978 and continuing into 1980, the defendants engaged in a scheme to cheat and defraud the plaintiff and others by means of actual and fictitious transactions.

Israelis embarrass U.S. nuclear policymakers

BY DAVID BUCHAN IN WASHINGTON

THE ISRAELI raid on Iraq's nuclear reactor, which sent a bigger shock through the international system than the 1974 Indian nuclear blast, has caught the U.S. without a non-proliferation policy.

The spread of nuclear weapons technology is a world problem and no U.S. president can hope to halt its tide by himself, as ex-president Jimmy Carter found to his cost. Nevertheless the Iraq incident has highlighted the key role that the U.S. needs to play in controlling nuclear proliferation.

Policy-makers in Washington stoutly deny reports that President Reagan is about to discard goals of making U.S. nuclear exports safer, of persuading other supplier countries to make their exports safer, and of putting better safeguards world wide on the use of nuclear material.

They point out that Mr Reagan has the 1978 Nuclear Non-Proliferation Act to obey, unless or until it is amended. The key provisions of this act require that foreign countries must submit all their nuclear facilities to international inspection if they are to continue receiving U.S. nuclear fuel, and that the U.S. has a prior veto over whether U.S.-supplied spent fuel can be reprocessed.

Nevertheless, beyond this act the Reagan administration is struggling to reach a new and coherent set of nuclear guidelines which could be a marked improvement on the Carter policy.

Verbal promises made so far include:

● A commitment to restore the U.S. reputation as a reliable supplier. This has fallen to a point where, for instance, Europe chooses to depend on the Soviet Union for 27 per cent of its nuclear fuel and on the U.S. for just 18 per cent.

● A determination to be less abrasive in pursuit of non-proliferation goals. Mr Carter angered more nations than he won converts, it is argued. In particular, he failed to convince the world that the inherent proliferation risk of reprocessing spent fuel—with weapons-grade plutonium as a by-product—outweighed its possible economic benefits. Reaganites on the other hand have no rooted objection to reprocessing.

However, while the new administration struggles to define new guidelines the main danger is that observers will come to believe that the U.S. is willing to turn a blind eye to would-be proliferators if they happen to be friendly nations.

While the prime case is Israel, an even more ominous one may be Pakistan. Such double standards would spell disaster for any Reagan non-proliferation policy before it is even formulated.

The basis of international efforts to curb the spread of nuclear weapons is the Non-Proliferation Treaty (NPT). The 115 countries which have signed the treaty accept inspection by the Vienna-based International Atomic Energy Authority (IAEA) which checks to make sure they do not divert nuclear material supplied for peaceful purposes to make bombs.

Iraq is a signatory to the treaty and the Israeli reaction was therefore clearly based on the belief that nuclear policing by the IAEA is not adequate and that vigilante action was therefore required.

The Israelis may well have been right that Iraq was plotting to build a bomb. The U.S. has several times expressed concern about the Osirak reactor, and the IAEA itself has grown very worried about the proliferation danger there.

President Haddam Hussein of Iraq has called for Arabs to acquire or build a bomb to match Israel. Such a statement played straight into the hands of those who argue that Israel did the world a service by knocking out the Osirak reactor.

However, U.S. policy has been, and will be even under Mr Reagan, that the IAEA, for all its lapses, offers the best nuclear policing system the world has got. Some international inspection is better than no inspection. Without information pooled by the Vienna-based IAEA inspectors, suspicious neighbours would have to base judgements—and misjudgements—of each other entirely on their national intelligence services.

Caught on the hop by the June 7 Israeli raid, and constrained by his own political imperative not to break with Israel, Mr Reagan has helped publicly to cast doubt on the NPT-IAEA inspection system. His administration has recovered its balance to the extent of supporting a United Nations resolution which, among other things, urged Israel to open its nuclear facilities to IAEA inspectors.

Even this gesture, however, has little substance. As the U.S. is best placed to know, Israel has not the slightest intention of letting outsiders, even Americans, near their nuclear plants.

When Israel's top secret programme at Dimona came to world notice in the early 1960s, the Government grudgingly let U.S. officials in a couple times, then slammed the door in their face and has kept it tight ever since.

As Mr Moshe Dayan, a former Israeli defence minister, has confirmed, Israel has the capability to assemble quickly nuclear bombs. It is thought that this was developed just after the 1967 war.

By contrast, the U.S. has kept its door open to Israeli nuclear scientists. Those who arrived last October at the Nuclear Regulatory Commission (NRC) asked U.S. experts their view of what 2,000 lb bombs would do to a reactor. That advice went into planning the June raid.

There was probably nothing more sinister here than gullibility by the NRC, but again the incident gave the appearance of one standard on proliferation for most countries with a laxer standard for a special friend like Israel.

Vigilante action—justified or not—could be catching. Might India, for instance, take a leaf out of the Israeli book and bomb Pakistan's nuclear facilities?

This is not totally beyond the bounds of possibility. India and Pakistan have fought three conventional wars and neither has signed the NPT. India was able to explode a nuclear device seven years ago, and Pakistan may be headed in that direction. President Zia of Pakistan has flatly and repeatedly said his country would not make bombs, but has not foresworn either a weapons capability or exploding a test device.

West of Islamabad, the Pakistani capital, a hole has been bored into the side of a mountain. It could be a mine shaft. But since U.S. intelligence spotted it a year ago, it has been put to no such conventional use. Its existence has fuelled suspicion in Washington that it will be used as a test tunnel.

Pakistan's clandestine nuclear programme—encompassing both uranium enrichment and the capacity to separate plutonium—could give it the atomic wherewithal to explode a device as early as next year, some U.S. experts believe.

Yet the Reagan Administration has just announced it is ready to provide $3bn in economic and military aid to Pakistan over the next five years. To some, particularly in the U.S. Congress which must approve any such package, this looks extremely dangerous. There is a feeling that not much can now be done to stop Pakistan building a device.

In contrast, Reagan officials justify the aid as an attempt to soothe Pakistan's security worries to the extent that it does not feel impelled to resort to building or exploding a device.

Removing the insecurity that drives countries to take up the nuclear option is a major theme in Reagan Administration thinking on non-proliferation. It is an intelligent theme—provided U.S. aid is not seen as condoning nuclear weapons efforts, and that diplomatic initiatives, such as the Camp David agreement, are used as well as U.S. cash.

The problem is it carries no guarantee. One official observed on the U.S.-Pakistan aid accord: "This deal will require a great deal of blind faith on both sides." Islamabad has been given clear notice that any nuclear test will explode the U.S. aid package with it. "We hope nothing goes bang in the night," another official quipped blackly.

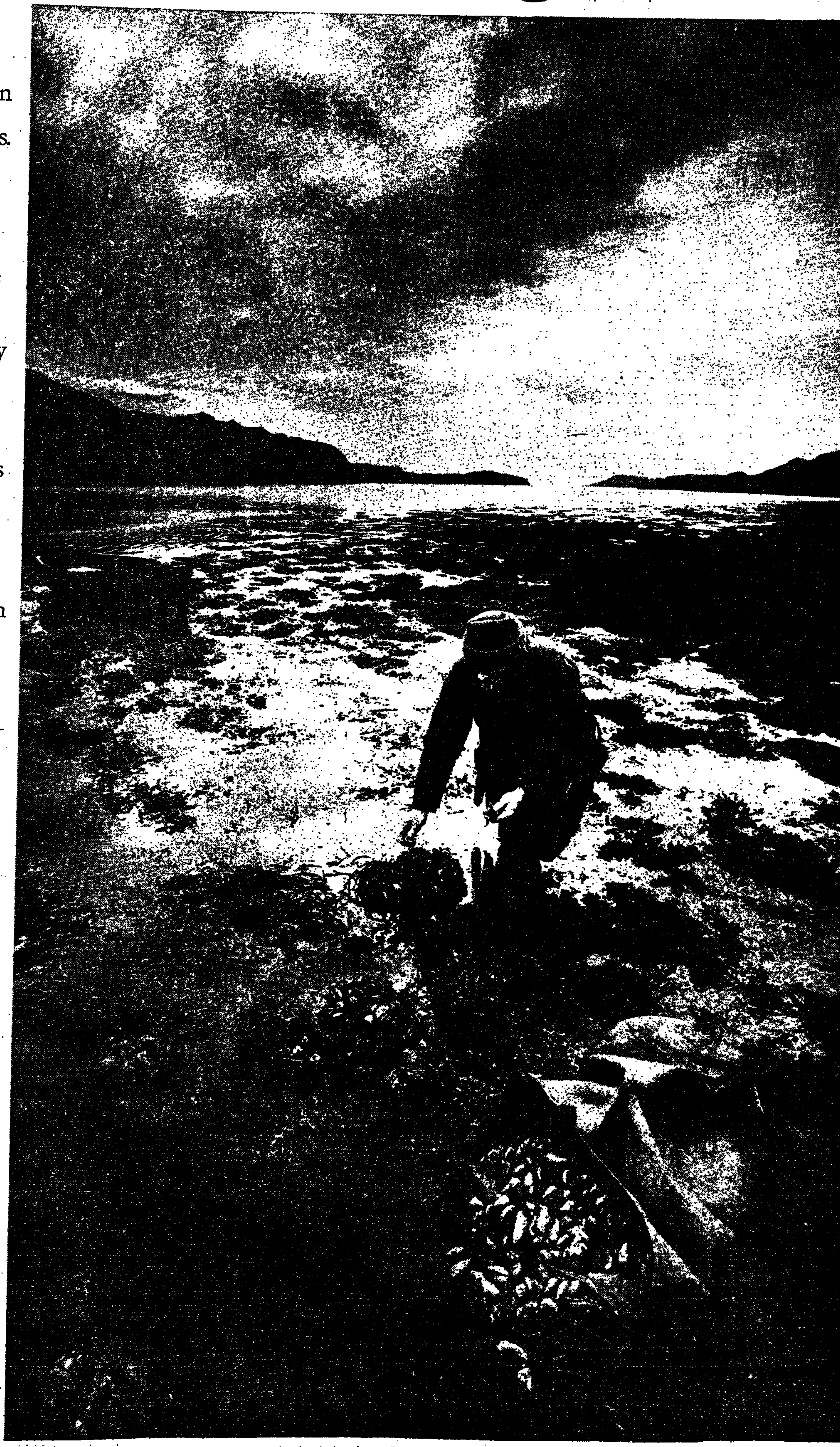
● Iraq yesterday denied reports that it was buying nuclear fuel from Brazil. It said the reports which first appeared in the Brazilian Press were an attempt by Israel to distract world opinion from its crimes against Iraq.

President Reagan has asked Congress to approve the sale of two 1,000 Mw nuclear reactors and uranium fuel to Egypt, Our Washington Correspondent reports. Mr. Alexander Haig, the Secretary of State, signed the accord in June. Egypt has agreed to inspection by the International Atomic Energy Authority following its signing of the nuclear non-proliferation treaty earlier this year.

Mr Haig has described the deal as a model for "precisely the kind of agreement we need in the Middle East" and Mr Reagan said it represented a step towards controlling nuclear weapons.

هكذا من الأصل

This, believe it or not, is how Shell goes recruiting its marine ecologists.



Every few weeks, a Shell scientist visits beautiful Dornoch Firth, cradled in the heather-blue hills of northern Scotland, to hand-pick 100 sturdy mussels.

They're part of a unique environmental study taking place in the depths around Shell's North Sea oil platforms, where they sit sampling seawater and helping Shell ecologists monitor any signs of pollution from our massive oil-production effort.

The fact is that our oil-platforms and rigs aren't isolated specks lost in grey ocean wastes.

The Brent Field is a self-contained oiltown where, on a clear day, you can see more than 20 huge structures ranging from giant production platforms like Brent Charlie to drilling rigs that crouch like enormous spiders on the horizon.

Operating the field involves the discharge into the sea of large quantities of water pumped up with the crude from oil reservoirs deep below the seabed.

And although all waste water is filtered and cleaned more thoroughly than government safety limits require, tiny traces of impurity inevitably remain.

Hence our experts, the mussels. They have the blotting paper-like ability to extract and accumulate the minutest quantities of chemical impurities and hydrocarbons from seawater.

By examining the body-chemistry of Dornoch mussels before and after a spell in the Brent Field, we can detect and check any pollution threat long before it's had time to become a problem.

It's an early warning system designed to protect the entire ocean food-chain: plankton and algae, bright feathery sea-anemones, brown shrimp, jellyfish, whiting, cod, grey seal and even whales.

Britain needs North Sea oil. But we must guard against any unwanted consequences of that need. Which, in a nut- (or rather a mussel-) shell, is what our splendid Dornoch Shellfish are doing.

You can be sure Shell's playing its part

Paul Cheeseright, World Trade Editor, reports from Sydney on a major drive to win a share of a rich and competitive market

Australia enters overseas projects ring

THE AUSTRALIAN Government has thrown its weight behind a combined private-public sector approach to win a share of the rich but intensely competitive international project contracts market.

The fledgling Australian Overseas Projects Corporation (AOPC), which started work as a statutory body at the beginning of 1979, has emerged as prime contractor for bids to win about 15 project contracts in the Middle East and Asia.

AOPC is the Australian Government's answer to the problems thrown up by a fragmented industrial base lacking the *co-ordination and financial* muscle necessary to compete successfully in the projects market.

The approach throws up parallels with the British Government's moves over the last two years to devise a more co-ordinated form of bidding for contracts.

Both Governments accept that bids with the full weight of official power behind them have a better chance of success than those without it. Hence the UK's establishment within the Department of Trade of the Projects and Economic Planning (PEP) division to bring together the official support services and act as a catalyst to ally competing private sector bidders.

Australia has gone further by setting up a statutory corporation because its industry has only a scanty track record in winning project contracts overseas.

The approach throws up parallels with the British Government's moves over the last two years to devise a more co-ordinated form of bidding for contracts.

"If we'd had the skills available in the UK we wouldn't have done it," said one AOPC director.

But differences emerge in the scale of the contracts PEP and AOPC are interested in. AOPC in its first year was making bids for contracts worth up to A$100m (£58m). PEP is generally interested in contracts above that amount.

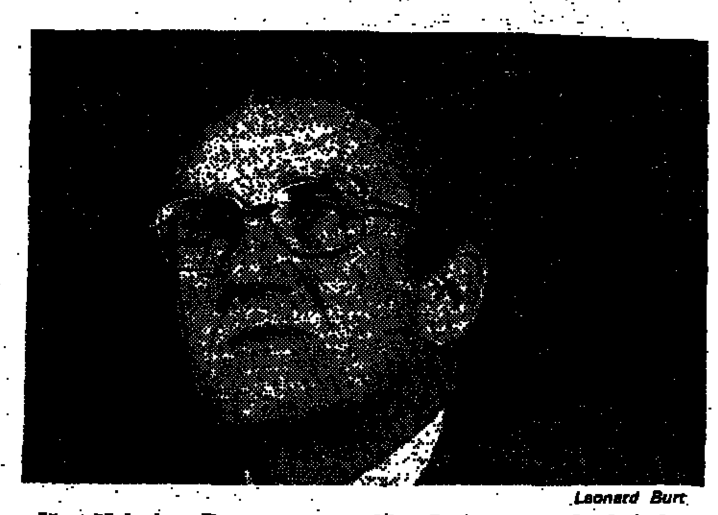
AOPC is starting on a small scale in order to build up experience, although, exceptionally, it did compete for the National Guard hospitals contract in Saudi Arabia, won eventually *by the Ministry of* Defence sales organisation in London and hopes still to land a Saudi hospital contract.

So far it has only won one contract and that, officials concede, was fortuitous. It was for a A$3m agricultural scheme in China. It is accepted that it will take five years before it can be established whether AOPC works or not.

But it is not a free agent. The legislation setting it up forbids it to compete with the private sector.

But as AOPC has responded to private-sector demands, it has been found that the *immediate need for it is to* act as prime contractor. For manufacturers claim that this it needs ministerial approval in each case.

In this role, AOPC acts as an umbrella company over consortia which it puts together or which approach it in the first place. It is the Australian official equivalent of UK private-sector umbrella companies like British Wastewater.



Leonard Burt

Mr. Malcolm Fraser . . . his Government backs the private-public sector approach.

Sino-Soviet trade 'will fall by 40% this year'

BY DAVID SATTER IN MOSCOW

SINO-SOVIET trade is forecast to fall by 40 per cent this year because of a sharp reduction in Chinese orders for old Soviet civilian aircraft.

The annual Sino-Soviet trade protocol, which was signed recently in Moscow, calls for trade this year to have a value of only £100m compared with almost £200m in 1980.

Chinese officials said that the decline in trade was the result of a cut in Chinese purchases of old Ilyushin-18 aircraft for civilian transportation following Chinese plans to buy aircraft from Boeing of the U.S.

Chinese purchases of Soviet aircraft had a value of £27.2m in 1979.

China had also cut other orders of Soviet industrial equipment in keeping with plans for renovating the Chinese economy but would increase its purchases of Soviet timber and cotton, the officials said.

The Soviet Union traditionally has had nearly balanced trade with China.

The Soviet Union has exported transportation equipment, including civilian aircraft, metal cutting equipment, trucks and cable to China

Norsk Hydro considers Jamaica plan

By Our Oslo Correspondent

NORSK HYDRO, the Norwegian industrial group, is still considering participating in a planned expansion of the Jamalco Alumina production plant in Jamaica—even though two other Norwegian companies, Aardal Og Sunndal Verk and Elkem, said recently that they were withdrawing.

The capacity of the Jamaican plant, now owned by Alcoa of the U.S. with 94 per cent and the state-owned company Jamaica Bauxite with 6 per cent, is 550m tonnes a year, and the original plan was to expand to 1.2m tonnes a year at a total investment cost of about $300m.

Hydro would be responsible for 100,000 tonnes of the total expansion and Hydro said yesterday that the company was still interested in participation.

After the withdrawal of Aardal Og Sunndal Verk and Elkem, however, the fate of the project rests on further negotiations among Hydro, Alcoa and Jamaica Bauxite.

The original expansion plan was made six months ago. It depended on an indication from the Norwegian Government that it would guarantee a substantial part of the loan finance for Norwegian companies. Hydro stressed that a Government guarantee remains a condition for its participation.

Shipbuilding competition grows

BY ANDREW FISHER, SHIPPING CORRESPONDENT

EUROPEAN and Japanese shipbuilders can expect increasing competition from the developing countries, a leading firm of shipping consultants warned yesterday.

In a report on tanker building shipyards, H. P. Drewry said developing countries were no longer content to settle for the construction of unsophisticated tonnage.

"As their industrial efficiency and their technological skills improve, they will increasingly become rivals to their European and Japanese counterparts," it said.

Although the tanker market has declined in recent years—large numbers of tankers are lying idle—not all countries have cut back capacity accordingly.

Drewry said that some countries, like Brazil, South Korea and Taiwan, has actually expanded capacity since the the present demand and supply situation.

As established shipbuilding nations have become less competitive on cost, other countries have entered the market, it noted. The building of unsophisticated bulk tonnage, especially tankers, is comparatively easy.

Thus, the efficiency and skills of the older shipbuilding countries have not proved strong enough to counter the lower costs offered by developing nations.

Costs in European yards in the past few years have been around 20 per cent higher than those of Japan, Drewry said.

"It is a sobering thought for European building that some of the developing shipbuilding nations can offer prices which undercut even the Japanese."

"If there was a rush in the future to build new ships, orders might well begin to be placed in European yards. As soon as this happened, Japanese prices would tend to rise towards European levels, Drewry said.

This would only occur, though, when cheaper non-European yard space had been filled. If new building demand did not reach such levels, "then the prospect of price cutting wars would seem to lie not between Japan and Europe, but between Japan and its new competitors."

Tanker Building Shipyards. H. P. Drewry (Shipping Consultants). Price £45 or $110 (overseas) for non-subscribers.

Japan steps up machine tools sales drive

BY HAZEL DUFFY, INDUSTRIAL CORRESPONDENT

JAPANESE machine tool manufacturers plan to more than double their representation at the major European biennial machine tool exhibition to be held in Hanover in September, confirming that Japan is intent on increasing its sales to Europe.

At EMO '79, held in Milan, 21 Japanese companies took exhibition space. This year, the number has increased to 53, taking 7,600 square metres of space.

The exhibition will be dominated, however, by West German companies, 744 being represented. They are followed by Italy, which will field 249 companies, Switzerland with 192 and France with 118. Britain will be represented by 72 manufacturers, which is 26 more than at Milan but still comes as a disappointment compared with the other major European manufacturers.

CECIMO, the association of European machine tool manufacturers which organises the EMO exhibitions, called recently on the EEC and their governments to take effective measures to stem the growing penetration of Japanese machine tools.

Delegates to a recent meeting agreed that Japan's success was due not to technical superiority but to a pricing strategy made possible by government financial and other commercial links which are not available to European manufacturers.

The Hanover exhibition will be the largest display of machine tools to be held in Europe. At a charge of DM 296 per square metre of exhibition space, plus supporting services and transporting costs estimated at three to five times the rental amount, the investment at Hanover is substantial, one unofficial estimate putting the total as high as £200m.

Tanker slump hits new low

BY OUR SHIPPING CORRESPONDENT

MORE MERCHANT tonnage was lying idle around the world for lack of business at the end of May than at any time for the previous two years, the General Council of British Shipping said yesterday.

Altogether, there were 425 ships, totalling 17.7m deadweight tons, laid up, mostly reflecting the continued slump in the market for VLCCs (very large crude carriers).

The May figure, the highest since June 1979, when nearly 21.5m dwt was laid up, was 633,000 dwt higher than that for the end of April and represented 3 per cent of world tonnage.

Included in the May total—which represents a sharp rise from the end of last year after a previous steady decline—were 125 tankers of 15.5m dwt, or 4 per cent of total tanker tonnage.

This compared with 112 tankers laid up at end-April, totalling 14.9m dwt. The increasing number of tankers lying idle is a measure of the severe problems caused by the oil glut, general recession and the fragmentation of the oil market in recent years.

The GCBS, which bases its figures on regular data put out by Lloyd's of London Press, also said that 300 dry cargo ships of 2.133m dwt were laid up compared with 312 of 2.129m dwt at the end of April.

In contrast to the world trend, there was a fall in the amount of idle UK merchant tonnage from 21 vessels of 1.82m dwt in April to 20 of 1.29m dwt in May.

Hong Kong textile makers attack EEC

BY RHYS DAVID, TEXTILES CORRESPONDENT

HONG KONG'S textile and clothing industry has mounted a new attack on the platform that the EEC Commissioners have put to the Council of Ministers for the next round of the GATT Multi-Fibre Arrangement (MFA), claiming that it discriminates against developing countries.

The proposal which causes Hong Kong most concern is "globalisation"—the establishment of an overall ceiling for imports of particular products.

The idea is rejected as unfair by Hong Kong on the grounds that the "globe" as proposed by the commission includes only developing countries and does not cover developed exporters such as the U.S.

In a document released in London yesterday, Hong Kong's American prices for a number of products proposed for globalisation are lower than those from the developing countries.

"Despite the sharp and substantial increase in imports from the U.S. at prices generally cheaper than those from the developing countries, the Community has not sought export restraint agreements from the U.S.

"Instead, it has imposed restraint on developing suppliers whose exports to the Community are limited

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Harland and Wolff reports £32m losses

BY OUR BELFAST CORRESPONDENT

HARLAND AND WOLFF, the state-owned Belfast shipyard, has reported losses of £32m in 1980, a reduction of some £11m on the previous year.

However, the continuing heavy losses brought a Government warning yesterday that the taxpayer could not carry the burden indefinitely. The company has received £46m from the Northern Ireland Department of Commerce to enable it to survive this year.

The shipyard reported trading losses up from £24m to £26m, but the overall deficit dropped from the 1979 figure of £43.3m.

The net addition to the provision for estimated future losses was put at £931,000, compared with £11.6m previously. The 1979 accounts had also included an exceptional item of almost £5m in relation to arbitration costs involving two oil tankers.

The auditors, Price Waterhouse, noted that the accounts were prepared on a going-concern basis on the assumption that adequate finance would be given to the company—which it was.

The auditors also added that they could not form a view as to whether sufficient provision had been made for all losses on contracts in hand on December 31, 1980. Major uncertainties existed about inflation and future productivity, which could involve the company in substantial additional losses, they said.

Mr Adam Butler, the Minister responsible for industrial matters in Northern Ireland, said losses on such a scale should make worker and management more determined to improve efficiency and working practices and to cut all costs under their control. He said the shipyard should realise "that the taxpayer will become increasingly reluctant to foot such large bills in the future."

Mr Alec Cooke, chairman of Harland and Wolff until April this year, said in his statement that orders for bulk carriers, which were attractive to the Belfast yard, were being placed in the Far East at prices which UK shipyards could not possibly match. This was largely due to the strength of sterling and high inflation in the UK. A re-adjustment of at least 25 per cent in favour of the pound would be necessary for more effective competition with Japanese and other Far East builders.

The Belfast shipyard employs 7,000 people, but 400 will be paid off before the year end. Work is almost finished on the last of four Sealink ferries. The remaining order-book, for four ships, is due to run out in the first quarter of 1983.

Tourism in England weathers recession

BY JAMES McDONALD

THE ENGLISH tourist industry has weathered the international and domestic recession so far in better condition than much of manufacturing industry, Mr Michael Montague, chairman of the English Tourist Board, said in London yesterday.

Nights spent away from home by Britons in England last year increased by 4 per cent to 435m. The number of visitors from overseas was about the same as in 1979. There was evidence, however, of "trading down" since the 16 per cent increase in overall spending by Britons to £3.53bn was below the 18 per cent rate of inflation last year.

Mr Montague was introducing the board's report for the year to end-March 1981. It showed a continued popularity of self-catering establishments. This reflected "a general tendency to stretch the family budget as far as possible, a not surprising response to the economic situation."

Nevertheless, the resilience and the importance of this labour-intensive industry had been "truly remarkable in these difficult times," Mr Montague declared.

He said tourism in England already employs over 1.5m people.

An analysis of employment in all industrialised countries over the last two decades showed "strikingly similar" trends towards the labour-intensive service industries.

"Between 1948 and 1977, employment in goods production in the U.S. declined by 12 per cent or, put another way, in 1948 it was employing one worker out of three but by 1977 it employed fewer than one worker out of four," he said.

"During this period the U.S. service sector absorbed not only those displaced from manufacturing but also those from agriculture and mining."

Attacking England's licensing laws, Mr Montague said they were "archaic, uncivilised, anti-family, and they can damage our tourist industry and threaten pubs with closure. They treat adults like children and children like dogs.

"The English, not yet on a par with their brethren in Scotland for either drinking laws or Sunday trading, patiently wait for equal treatment. I would not necessarily argue for licensing laws to be longer, but that they should be based on common sense and dictated by demand."

Two Scottish industrial promotion schemes start

BY MARK MEREDITH IN EDINBURGH

TWO INDUSTRIAL promotion schemes have been launched in Scotland, one in East Kilbride and the other in Clydebank.

Peel Park, an 85-acre industrial estate on the west side of East Kilbride new town, has been opened by Mr Alex Fletcher, Minister for Industry and Education at the Scottish Office.

The wooded, slightly hilly site, is the first in Scotland to break away from the traditional grid layout for industrial sites. The park is expected to create more than 3,500 jobs and represents an investment of more than £30m.

According to the New Town Development Corporation, 506,000 square feet of advance factory space will be created in the first phase of the park's development.

East Kilbride Development Corporation reported that, despite the recession, it was enjoying a boom in industrial inquiries. It had received 700 inquiries, mostly from North America, and hoped for a success rate of 8 to 10 per cent in turning them into jobs and factories.

According to the corporation the new town would not have been able to cope with demand for new companies or meet the expansion demands of existing companies in East Kilbride without the park.

At Clydebank, the Scottish Development Agency has opened an enterprise workshop on the former Singer Corporation site to be known as the Clydebank Business Park. The agency bought the 85-acre site a year ago for £850,000 and has already allocated nine out of 20 properties as part of a £4m programme to develop new factories and modernise others. It plans to spend about £20m.

● THREE DIRECTORS of the Neptune Glenfield Valve works in Kilmarnock, Scotland have bought their factory from its U.S. owners, Wheelabrator International. The Ayrshire company was losing money.

Mr Denis Richmond, who will be chairman and managing director of the company, said his factory will now concentrate on more specialised valve production with lower turnover for greater profit.

The company produces large valves for water and sewerage works and other specialised valves.

Mr Richmond and his colleagues received a loan from Wheelabrator and overdraft facilities from the Clydesdale Bank to make the purchase.

The company will keep the 250 people it employs, and revert to its original name of Glenfield and Kennedy.

Mr Richmond said that Glenfield and Kennedy would move its operation to the east side of the River Irvine, leaving a factory site on the west bank to be sold by the Scottish Development Agency. Revenue from the sale would help pay off the loan from Wheelabrator.

ICL chief seeks multinational approach to competition

Guy de Jonquieres talks to Robb Wilmot, head of Britain's troubled computer manufacturer

THE LIGHTS in Robb Wilmot's office on the 13th floor of ICL's Putney headquarters have been burning late into the night for the past two months. Since he was picked by the Government to be managing director of ICL, Britain's troubled large computer manufacturer, he has been working up to 120 hours a week to try to set the company on an even keel.

He has spent much of his time assuring ICL's customers and worldwide staff of more than 30,000 of his determination to keep the company afloat. Employee morale was at rock bottom when he took over, battered by a succession of crises which culminated in the last management's struggle to prevent a predatory takeover by a U.S. rival.

ICL's independence has been safeguarded, and its solvency temporarily underwritten, by a £200m two-year Government loan guarantee. But it faces a tough battle if it is to meet the new management's goal of returning to profit by 1983 after losing £50.6m (including a £14.6m write-off) in the first half of its current financial year.

Wilmot comes to the task with impressive credentials. Though only 36, he has already masterminded the turnaround of two flagging businesses belonging to his former employer, Texas Instruments, the big American semiconductor and electronic component manufacturer.

One was its troubled electronic calculator operation, and the other its British subsidiary, which he headed until last May. He transformed the latter from being Texas Instruments' worst-performing overseas subsidiary into one of its biggest moneyspinners.

Success at ICL will depend critically on getting its product strategy right. The company's product range extends from minicomputers to big "mainframe" machines.

Wilmot flatly rejects the view, popular in the City, that ICL should withdraw from larger computers and concentrate on the lower end of the market where growth is fastest. But he believes that its existing product line needs some thinning out, to improve efficiency.

He also wants to position ICL more strongly in computer communications and office equipment. The company has so far been slow to diversify from its traditional base in general purpose data processing.

Wilmot would like ICL to develop into a supplier of complete data communications and office systems, not just of some of the components which go into them.

That means building up a product range embracing large and small computers, data and text processing terminals, local communications facilities and the wherewithal to link them together in complex networks.

An important feature of this strategy is that future ICL products should be technically compatible with other manufacturers' equipment.

Mr Robb Wilmot, ICL's new managing director. He has already masterminded the turnaround of two flagging businesses and hopes to do the same for ICL.

That is a key to survival in a world in which International Business Machines is increasingly setting the technical standards.

The company's main rivals, in Wilmot's view, are not European but American manufacturers, headed by IBM. To compete, ICL must adopt a more "multinational" approach, tailoring its product design and sales more closely to world markets. Overseas revenues already account for almost half of ICL's turnover. But, says Wilmot, "We are too UK-oriented."

ICL's newest product, the System 25 small computer, is designed to be connected to IBM equipment. The company also sets much store by its recently-developed communications package, Information Processing Architecture, which will enable technically different computers to "talk" to each other.

Wilmot insists that much of the technological expertise needed to remodel ICL's product line can be found within the company. But it will require more resourceful management of its research and development effort.

He believes he can stimulate innovation by encouraging research and development engineers to take more risks. "That does not mean that we are going to become a high risk company," he says. But he is counting heavily on nimble exploitation of technology to counter the "brute force" approach favoured by some U.S. manufacturers.

ICL is also seeking partners to supply some products which it will not make itself. Wilmot is looking for companies which make attractive products but lack proper marketing facilities. No names have been mentioned publicly, but he does not rule out link-ups with the Japanese.

Unlike ICL's previous management, which complained that foreign computer companies received more generous backing from their national governments, Wilmot views State support with mixed feelings.

He admits that by giving ICL £40m in aid in the early 1970s, the Government rescued it from serious difficult. But it also hurt the company by encouraging over-staffing. "In an ideal world, I would prefer the Government to have nothing to do with the company," he says. "But the world doesn't work that way."

Some outsiders are surprised that Wilmot and ICL's newly-appointed chairman, Christophor Laidlaw, have not acted more swiftly to shake up the rest of ICL's management.

Several MPs have argued that responsibility for the company's weakness goes beyond the ousted chairman Philip Chappell and former managing director Chris Wilson. They believe other heads should roll.

Wilmot has some changes in mind but says that he cannot do everything at once. "I am trying to do so much so quickly that I don't dare change the management structure yet."

Rethink urged on contracted out pensions

By Eric Short

EMPLOYERS who contracted out of the State pensions scheme in 1978—when the new earnings-related benefits were introduced—are urged to reconsider their decision by leading pensions consultants Wyatt Harris Graham.

The 1978 State scheme added a second tier of earnings-related pensions to existing flat rate pensions. Employers had the option to contract out of this second tier and to replace it with a company scheme. The National Insurance contribution for those contracting out were reduced.

Well over 10,000 employers contracted out. Now Wyatt Harris Graham in its latest newsletter suggests employers reconsider their decisions since factors on which they based these have changed.

The newsletter says employers should consider the risk they bear in contracted out schemes. It says that by remaining in the State scheme employers can control their costs, since the State would bear the brunt of pension costs searing to uncontrolled levels.

Jaguar expects to trade profitably by the end of this year

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

JAGUAR BL'S luxury car subsidiary, will be trading profitably by the end of this year and record a net profit after interest and other charges *not long afterwards, said Mr John Egan, chairman, yesterday.*

It has been suffering losses since 1979. Last year, its deficit was about £20m.

The company has been involved in a big cost cutting programme which included reducing jobs recently at the rate of 200 a week.

By September, the workforce will be reduced to 6,500 from the 10,200 when Mr Egan took over as chairman in May last year.

Job losses have been spread through both direct and indirect labour at all levels *except in product engineering* where 40-50 people have been recruited.

Mr Egan claims that by September productivity — as measured by the total number of people employed by Jaguar and the number of cars produced—will be boosted by 50 per cent.

Jaguar is trading profitably in the U.S., its major export market. In the first six months of 1981, car sales there jumped by 43 per cent to 2,016 compared with the same period last year.

The company is looking for sales of 4,500 cars for the full year in the U.S. A delegation of U.S. dealers in the UK recently committed the 240-strong network to taking at least 6,750 cars in 1982 and indicated that the number could easily reach 9,000.

The big advance in U.S. sales resulted from the improvement in the quality of Jaguar cars and from the company's ability to deliver on time and to the right specification, according to Mr Egan.

The exchange rate has played no part in the sales upsurge. Jaguar prices have not been changed. But it has made the business much more profitable. "We can do good business at $2.30 to the pound—so at $1.80 we are laughing," commented Mr Egan.

Jaguar's turnover is running at about £200m a year, of which 17 per cent comes from exports. Last year, the company's car output was near its lowest point in modern times at 14,500 compared with a capacity of about 25,000 a year. The target for car output this year is 16,000.

The company is losing money on sales in the continent. But Mr Egan insists: "Jaguar has no intention of withdrawing from Europe, so we must learn to make money there. We are taking a resolute action to reduce costs and increase the efficiency of our entire operation."

Mr Egan said his first priority after taking over at Jaguar was a "single-minded, even ruthless approach to the absolute need for the highest standards of quality and reliability." This had been successful, he claimed.

He insisted that Jaguar's 1700 suppliers were responsible for six out of 10 of the quality and reliability problems in the past.

Most suppliers had greatly improved their products, particularly after Jaguar began to insist that any supplier of components with a failure rate of more than 1.5 per cent would be pursued for the full warranty cost of labour and materials.

Only about half a dozen suppliers had been dropped by Jaguar as a result of the campaign. One of them was a Japanese supplier of a radio aerial lifting device, now replaced by another Japanese product.

West German suppliers were among those told by Jaguar to improve their products. Jaguar buys 56 per cent of its components, including about 15 per cent from abroad.

The *Jaguar production* lines had been improved mainly through better two-way communication, particularly through Quality Circles. Jaguar now has 50 QCs involving at least 300 employees.

New car sales for first half of the year at lowest level since 1977

BY JOHN GRIFFITHS

UK CAR REGISTRATIONS

	June				Six months ended June			
	1981	%	1980	%	1981	%	1980	%
Total UK produced	45,864	43.23	50,795	41.10	368,118	46.13	348,500	42.40
Total imports†	60,283	56.77	72,803	58.90	429,819	53.87	500,668	57.60
Total market	106,087	100.00	123,598	100.00	797,937	100.00	869,168	100.00
Ford*	33,376	31.46	45,497	36.80	242,997	30.45	284,678	32.75
BL	16,590	15.64	16,292	13.18	159,300	19.96	155,374	17.88
Peugeot SA								
Talbot*	4,586	4.32	5,427	4.39	41,671	5.22	51,228	5.89
Peugeot	1,334		1,456		9,329		14,425	
Citroen	1,639		1,770		13,904		14,467	
Total Peugeot SA	7,559	7.13	8,653	7.00	64,904	8.13	82,120	9.45
General Motors								
Vauxhall*	8,834	8.33	8,720	7.06	58,202	7.29	66,347	7.63
Opel	900		1,310		11,690		12,493	
Other GM	84		98		377		560	
Total GM	10,318	9.73	10,128	8.19	70,269	8.81	79,400	9.14
VW-Audi	6,122	5.77	5,203	4.21	41,148	5.16	34,807	4.00
Datsun	5,788	5.46	9,247	7.48	50,027	6.27	46,785	5.38
Renault	5,126	4.83	8,615	6.97	39,007	4.89	52,825	6.08
Fiat Auto								
Fiat	4,407		5,718		26,784		25,854	
Lancia	541		378		2,909		2,498	
Total Fiat Auto	4,948	4.66	6,096	4.93	29,693	3.72	28,352	3.26
Volvo	4,049	3.82	2,019	1.63	22,403	2.81	20,611	2.37

* Includes cars from companies' Continental Associates not included in the total UK figure.
† Includes cars from all sources including those from associates of UK companies.
Source: Society of Motor Manufacturers and Traders

CAR MANUFACTURERS' misgivings that the buoyancy of the new car market up to May would not be sustained have been proved justified.

In June, UK new car registrations fell by 14.2 per cent compared with the same month a year ago to 106,087. Last month's figure was the lowest for the month of June since 1977.

Sales for the first half of the year, at 797,937, are running 8.2 per cent lower than in the first half of 1980, and also at the lowest level since 1977.

However, the Society of Motor Manufacturers and Traders says that despite the June fall, it still expects total sales for the year to reach its revised forecast level of 1.41m. At the start of the year, the SMMT was predicting a drop to 1.38m from last year's 1.51m.

BL saw a fairly sharp drop in its June market share to 15.64 per cent. But the company attributes the fall to its May sales incentive campaign, which it says "pulled forward" a substantial number of sales.

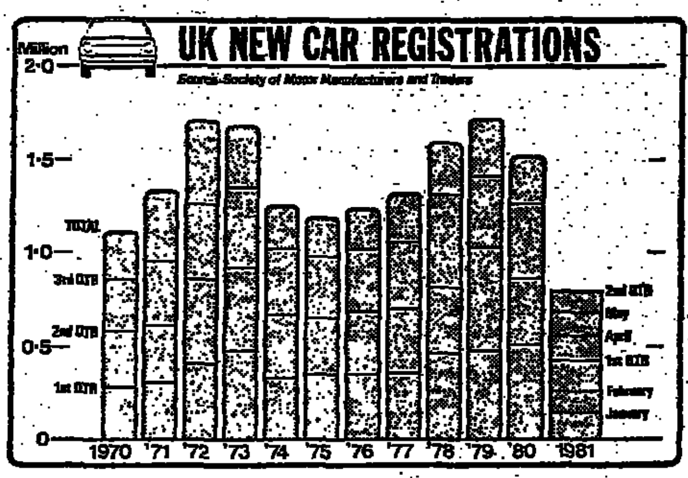
Its share for the first half is standing at 19.96 per cent, more than 2 per cent above last year's.

Mr Tony Ball, BL Car sales chairman, said yesterday that the company was "right on target" for the first half.

With the availability of the Metro improving after its launch on the Continent, and with the launch of the new Triumph Acclaim in October, BL was confident of meeting its target of winning at least 20 per cent of the market.

Meanwhile, the Metro — now being produced at the rate of 4,500 a week — has moved back up the list of "top ten" sellers to reach fourth position, behind Ford's top selling Cortina, the Escort in second place and Fiesta in third.

Ford continued as the market leader, with 31.5 per cent in June. But its half-year share of 30.5 per cent means it is unlikely to reach its target of 33 per cent for the year, mainly because of industrial disruptions at the start of this year and in May, which left it short of stocks.



The build-up in Metro output and the increased supply of Fords from UK factories at the expense of Continental plants is continuing to drive down the overall level of imports. In June, imports accounted for 56.8 per cent of all sales compared with 58.9 per cent in the same month of 1980. For the first six months, the importers' share was down to 53.9 per cent from 57.6 per cent.

The Japanese share continues, however, to run above the level of the informal "prudent" marketing agreement between the SMMT and its Japanese counterpart—JAMA.

The SMMT and JAMA yesterday were due to end two days of talks in Sapporo, Japan, to discuss the issue of voluntary restraint by Japan on shipments to the UK. Leading British delegation members warned at the start of the talks that it could be a "make or break" meeting, since a failure to win agreement could lead to Government intervention.

North Atlantic container service loss is blow to Liverpool docks

BY RHYS DAVID

THE LOSS-MAKING port of Liverpool has been dealt a major blow by the decision by Manchester Liners, one of its main users, to withdraw its North Atlantic services from the Royal Seaforth Container Terminal within a matter of weeks. The company's services from Greenock will also be dropped.

The line, owned by Furness Withy, one of the shipping interests controlled by Seawide Tung, the Hong Kong shipowner, is to pool its services with two other operators—Dart, and Canadian Pacific. The new consortium will operate from Walton terminal at Felixstowe which *has* been developed by Seawide Tung.

The move is an attempt by the three to rationalise serious over-capacity across the Atlantic and, Manchester Liners said yesterday, it will halve costs.

Manchester Liners has three ships making weekly services from Liverpool or Greenock to Montreal.

Canadian Pacific has four ships operating from the Continent and Tilbury, again to Montreal, and Dart has four ships trading from the Continent and Southampton to Halifax, Nova Scotia, and the U.S.

Four Dart ships will be used for the new service which will be between Felixstowe and Montreal, and other ships will be found from within Seawide Tung's organisation to take over Dart's U.S. ports of call. Manchester Liners said yester*day other uses would now have* to be found for their three ships, the newest of which is seven years old.

The withdrawal will deprive *the port of Liverpool, which had* a pre-tax loss of £6.25m last year, of about a third of its container throughput of just over 100,000 boxes a year and was described by Mr James *Fitzpatrick, the managing direc*tor, last night as the most serious in a series of blows to affect the docks in the past year.

The loss of revenue will amount to £4m and is on top of earlier income loss of £3m. This loss resulted from the loss of raw sugar imports with the closure of Tate and Lyle's Liverpool refinery, and of iron *ore imports as a result of the* end of steel-making at the British Steel Corporation's Shotton works and of oil imports by Burmah.

Mr Fitzpatrick is due to address a meeting of 200 dockers' shop stewards today to stress the crisis now facing the port which, like London docks, is receiving large sums of Government aid to stave off financial collapse.

Concern on Chunnel proposals

By Lynton McLain, Transport Correspondent

THE DOVER Harbour Board and the main cross-Channel ferry operators have expressed serious doubts about the economic feasibility of many of the proposals for bridges and tunnels across the English Channel now being considered by the Government.

Their doubts are expressed in an interim report of the Channel tunnel study working party. This is led by the harbour board and includes representatives from Kent County Council, European Ferries, P & O Ferries, Sealink UK, the British Ports *Council and the General* Council of British Shipping.

The group does not oppose the building of a bridge or a tunnel, Mr Jonathan Sloggett, chairman of the group and deputy general manager of the Dover Harbour Board, said in London yesterday.

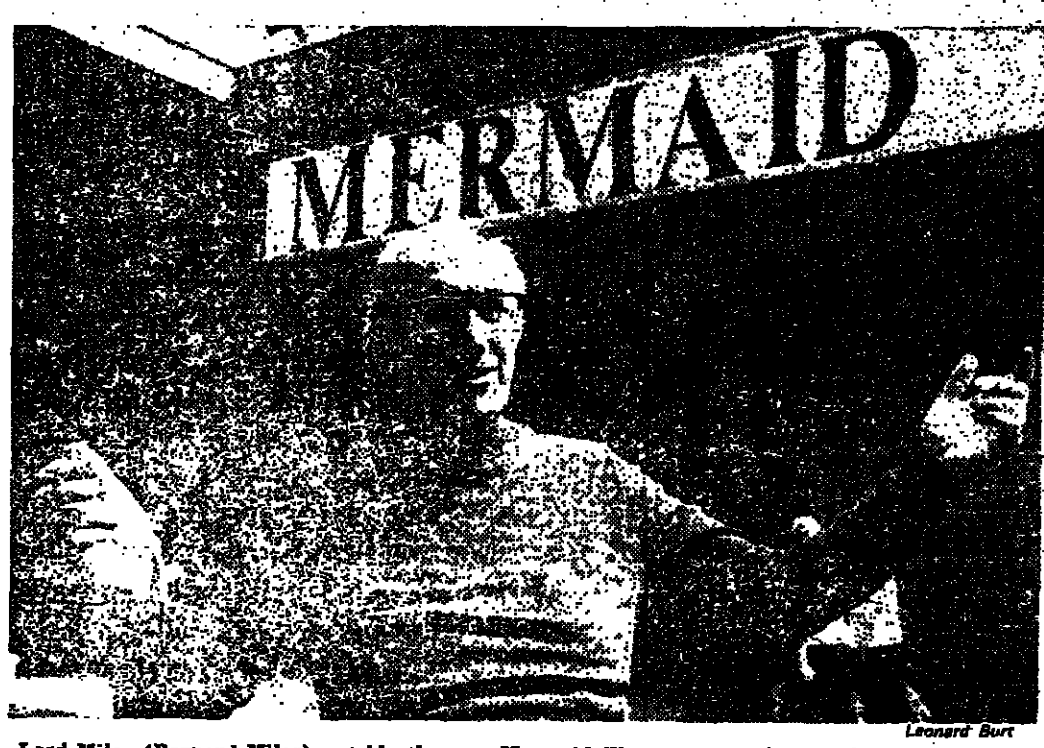
However, the group believes a bridge or tunnel *should be obliged to compete* fairly for freight and passenger traffic now carried on ferries, Mr Sloggett said.

"Give us a fixed link with no Government guarantees and no hidden subsidies and, with fair competition, we will take it on and we will beat it," said the group.

Most of the proposals for bridges and tunnels across the Channel are expected to be viable according to a study carried out last year by Coopers and Lybrand Associates for the European Commission.

However, if a fixed link were built and it failed to operate viably, the Dover Harbour Board and the ferry companies said Government support would be inevitable. This would harm the Channel ports and the ferry operators and they would lost the fight for traffic, Mr Sloggett said.

Six new high capacity ferries have been brought into service on the Channel over the past two years.



Leonard Burt

Lord Miles (Bernard Miles) outside the new Mermaid Theatre, recently completed, in Puddle Dock, City.

Business failures rise by 15%

By James McDonald

PERSONAL AND BUSINESS failures by individuals and partnerships resulting in bankruptcy and execution of deeds of arrangement increased by 15 per cent last year compared *with 1979. But the estimated* liabilities in these failures, at £72m, were £2m less than a year earlier.

The Department of Trade's annual report on bankruptcies published yesterday, shows that there were 3,641 receiving orders, 11 administration orders (in respect of deceased's estates) and 52 deeds of arrangement totalling 3,704 failures. This compared with 3,214 failures in 1979 and 3,610 in 1978.

Pension funds growing by about £8bn a year

BY ERIC SHORT

THE ASSETS of UK pension funds now exceed £50bn, and are growing by about £8bn a year, according to the sixth survey* of occupational pension schemes by the Government Actuary.

This survey relates to the position in 1979 and is one of the few sources of information available on pension schemes.

Previous estimates of value of assets and cash flow of pension schemes put the size and growth of the industry much lower, £40bn in assets, growing at about £5bn a year.

At the time of the previous survey in 1975 pension fund assets totalled only £20bn, with a cash flow of £3.5bn.

The survey shows that in 1979 there were 11.75m employees belonging to occupational pension schemes, including 3.3m women. Their combined pension contributions that year amounted to £2.25bn, while their employers paid £6.8bn, three times as much.

Investment income amounted to £4.15bn. About 3.7m pensions were paid to former employees or their dependants, including 700,000 widows' or dependants' pensions.

The total pensions bill was £3.12bn to former employees and £370m to widows and dependants. The average pension was £20 a week to former employees and £10 to widows and dependants.

* *Occupational Pension Schemes 1979: Sixth Survey by the Government Actuary, S.O. £5.*

St. Piran may lose against Runic

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

ST. PIRAN, the tin mining and property company, is facing defeat in its attempt to stifle a winding-up petition brought against it by a minority shareholder.

The company asked the High Court to strike out the petition by Runic Nominees on the ground that it was embarrassing, oppressive and contained no basis for a winding-up order.

Yesterday, Mr Justice Dillon said that, although there were defects in the petition, they could be cured. He adjourned St. Piran's application to enable the petition to be amended by detailing Runic's complaints.

Runic, a subsidiary of Gencor, the South African mining and *finance company, holds 70,000* 25p shares of St. Piran's £2.9m issued capital.

Its petition, due to be heard on July 23, is based on a report on St Piran by Department of Trade inspectors. The petition aleges that St Piran is being conducted in a way that is prejudicial to minority shareholders and that it is just and equitable that the company should be wound up.

St Piran, backed by its majority shareholder, Gasco Investments (Netherlands), attacked the petition.

Runic complained that Mr Jim Raper, who controlled tS Piran, and Gasco, had not complied with a directive of the City panel on takeovers and *mergers to bid* for the whole of St iPran's issued shares.

That failure had contributed to the suspension of dealings in the shares of St Piran and two of its subsidiaries

Greycoat appeals against inquiry delay

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

Greycoat Commercial Estates could be severely prejudiced if the public inquiry into its plans for development of the key Coin *Street site near Waterloo is not* resumed at once, a QC told the Court of Appeal yesterday.

Mr Alexander Irvine was opening Greycoat's appeal against a High Court judge's refusal last week to order the immediate resumption of the *inquiry.*

In June the planning inspector adjourned the hearing until September 8 to enable the Greater London Council to review its planning policy and to avoid sitting during the holiday period.

Greycoat contends the adjournment was granted for legally irrelevant reasons.

Fidelity Radio takes on 100 staff

By Maurice Samuelson

FIDELITY RADIO, a maker of music centres and televisions, is taking on 100 more production workers at its North Acton factory in London, including 70 school leavers.

The company, which already employs 550, said the expansion was due to a "very strong order book."

Mr Jack Dickman, chairman, said the entire production of Fidelity's new 14 in portable colour TV, which started a few days ago, was already sold out to the end of the year. It planned to make at least 40,000 sets.

Fidelity will also market citizen's band radios when the Government gives the go-ahead for licences, possibly in the autumn. The company made a loss in its past financial year but Mr Dickman said he expected it would become profitable again in the second half of the current year.

Prudential puts up premium rates

PRUDENTIAL Assurance Company, one of the largest household insurers in the UK, is increasing its premium rates for home contents insurance in certain high risk areas.

Top rated area under the new scale is inner London, the London postal district, where the new rate from August will be 50p per £100 value of contents insured. Outer London, Liverpool and Glasgow will be 45p per cent. The present rate is 37½p per cent.

Recommendations on young offenders

RESTRICTIONS on the courts' powers to impose custodial sentences on offenders under 21 were proposed yesterday in a report published by the Parliamentary All-Party Penal Affairs Group.

The report, Young Offenders: A Strategy for The Future, contains 56 recommendations designed to improve policy and practice concerning juvenile and young adult offenders.

Call to discriminate in favour of women

WOMEN are still concentrated in low paid unskilled jobs in spite of the effects of the equality laws, says a research bulletin from the *Equal Opportunities Commission.*

It says employers generally are obeying the letter of the law, but not always following the spirit. One way *to* correct this said the report, would be to discriminate positively in women's favour to help them enter jobs at present dominated by men.

House prices rise by 2 per cent

HOUSE prices rose by 2 per cent in the second quarter of 1981 following a rise of only 1 per cent in the first three months, Nationwide Building Society said yesterday.

Since prices were almost unchanged during the second half of last year, Nationwide says, the 4 per cent increase in the year to June 1981 can be *compared with estimated* annual increases of 12 per cent in retail prices and 14 per cent for average earnings.

Amoco and Murco finish £90m project

AMOCO and Murco groups have finished the £90m upgrading project at their Milford Haven refinery in South Wales.

The facilities will enable them to raise petrol output by 300 per cent. They will be *able to cut output of heavier* products, such as fuel oil, bringing production more closely into line with current patterns of demand.

Rembrandt drawing fetches £300,000

RECORD prices were paid at Christie's and Sotheby's yesterday. Christie's sold a red and white chalk study by Rembrandt of a nude woman as Cleopatra to the American dealer *Robert Light,* on behalf of the J. Paul Getty *Museum,* Malibu, for £300,000, a record for a drawing.

Sotheby's disposed of a German glass goblet and cover from the workshop of Fried-

SALEROOM

BY ANTHONY THORNCROFT

rich Winter, late 17th century, for £85,000, a record for a piece of European glass.

The goblet was bought by the German dealer Hohner who also paid £18,000 for a mammoth Potsdam royal goblet and cover by Godfried Spiller of around 1700.

Record £668m loss understates level of Steel Corporation's deterioration

Alan Pike looks at the background to the fall in demand for British steel

THE British Steel Corporation's record loss announced yesterday—£668m in 1980-81 compared with £545m for the previous year—understates the level of deterioration in the corporation's trading position since 1979.

A substantial amount of the £545m loss for 1979-80, BSC's previous worst result, was incurred in the three-month national steel strike at the beginning of last year. When allowance is made for this and the losses are calculated on a nine-months basis the 1980-81 loss become £477m against £230m.

Acutely low levels of demand for steel in Britain, loss of BSC's market share after the strike and weak home and export prices resulting from over-capacity in the European steel industry all contributed to the continuing deterioration. Steel demand in Britain was at its lowest level since 1951, falling to 13m tonnes from 14.2m tonnes a year earlier.

As a result of this drop in total UK steel demand and BSC's lower share of it, the corporation's steel deliveries during the year were 30 per cent below the annual rate in the nine months before the strike.

In his statement in the annual report and accounts published yesterday Mr Ian MacGregor, who became chairman of BSC last year, outlines the "far-reaching remedial measures" which have been taken to attack this worsening financial position.

These have included capacity reductions, further redundancies, a pay freeze, and a reorganisation of the corporation's structure designed to improve motivation and standards of cost-control, quality and service.

Later this month Mr MacGregor and Sir Keith Joseph will review the state of BSC's new corporate plan to ensure it is still on target. Yesterday's report emphasises that if the goals of the plan are not achieved, further significant closures will have to be contemplated.

The £668m loss for last year is after interest and taxation but before extraordinary items. These amounted to £352m—the reduction in capacity and manpower under the corporate plan resulted in a further write-off of asset values of £188m and additional closure and redundancy costs of £164m. In 1979-1980 the main asset write-down and closure costs produced extraordinary items of £1,239m.

Coopers and Lybrand, the corporation's auditors, repeat a warning sounded in last year's annual report that due to the continuing uncertainty of the steel market they cannot satisfy themselves that as a result of the latest write-downs the amount of £1,541m— at which BSC's fixed assets are stated—will be recoverable out of future earnings, or that a write-down beyond the present level will not prove necessary.

The House of Commons industry and trade committee last month expressed concern that the auditors' comment in last year's report. The committee remarked that it would look for a more positive report from the auditors in the 1980-81 accounts, and will be concerned if it does not appear.

BSC's external financing limit for 1980-81 was originally set by the Government at £450m which, with an unused balance from 1979-80, gave a total of £571m. This was subsequently increased, in response to the crisis facing the corporation, to £1,121m and the eventual external requirement proved to be £1,119m.

The Iron and Steel Bill now before Parliament will, among other provisions, write-off £3bn of past Government assistance provided to BSC. By the end of the financial year the effects of the Bill will have been to reduce BSC's accumulated revenue deficit from £3,858m to £349m.

This year's BSC external financing limit is £730m, although this was set without taking account of rationalisation projects being negotiated with the private steel sector.

Capital expenditure during the year was restricted to £185m, reflecting the corporation's policy of restricting investment to schemes already under way plus a strictly limited number of essential projects. A total of £69m was raised by the disposal of non-mainline activities and surplus land and property.

Under the corporate plan BSC's manned liquid steel-making capacity has been reduced from 15m to 14.4m tonnes per year. There have been substantial improvements in the corporation's recent productivity record, but the report shows that by March the number of employees was down to 120,900, compared with 166,400 a year earlier.

"I recognise the social effects of these major manpower reductions in communities where unemployment is already high," says Mr MacGregor. "But there is no alternative if BSC is once again to become a continuing and viable steel producer."

The report shows that by the end of the financial year BSC had recovered about 52 per cent of the domestic market compared with the 54 per cent it held before the strike—although *the market is smaller. Export* deliveries totalled 2.3m tonnes.

Mr MacGregor warns in the report that, although BSC has been increasing its sales and improving the loading of its capacity with resulting improvements in costs, the weakness in steel prices remains. Unless there was a collective effort by European steel producers and the EEC Commission this weakness would not be corrected.

BSC Consett reclamation

Derwentside district council has accepted a £642,692 tender by the Sheldon Contracting company, of Solihull, West Midlands, for the reclamation of 110 acres of derelict land which forms part of the former British Steel Corporation Consett works.

"THE SMALL BUSINESSMAN'S GLIMMER OF HOPE."

John Bull: *(defiantly optimistic to his trusty bulldog).* "IT'S AN UPHILL PULL, ALL RIGHT. BUT THERE'S LIGHT AT THE END OF THE TUNNEL. LAST YEAR ICFC HELPED 1014 OF US WITH ALMOST £100 MILLION. THAT INCLUDES NEARLY TWICE THE NUMBER OF NEW BUSINESSES THEY FINANCED THE YEAR BEFORE."

Bull Dog: "THERE DOES SEEM TO BE MORE MEAT ON THE BONE."

W. Midlands industry fears rate surcharge

BY LORNE BARLING

WEST MIDLANDS industry appears to have lost a crucial battle to stop the Labour-controlled county council imposing a rates surcharge which will raise the average level of company rate increases this year to more than 40 per cent.

BL is challenging in the courts a total rates bill of nearly £10m for its plants in Birmingham, Solihull and Coventry. It amounts to a rise of about 30 per cent on last year, but does not include the additional 14p in the pound county council levy, which will raise the figure by an additional 10 per cent more.

The supplementary rate, expected to be passed by the council on Monday and bring in an additional £56.8m, has been bitterly opposed by industry, particularly the Confederation of British Industry and Birmingham Chamber of Commerce.

Mr John Black, chamber president, said: "This irresponsible action on their part threatens the industrial fabric of the region."

Mr Chris Walliker, regional chairman of the CBI, has written to Mr Michael Heseltine, Environment Secretary, urging action to prevent the council going ahead.

Nearly half the additional sum raised by the council will be spent on public transport, including a 25 per cent cut in fares from September. Nearly £13m is earmarked to offset the cut in government grants. A further £9.3m will be used to boost council balances for contingencies such as higher wages.

A sum of £8m is to be spent on setting up a West Midlands industrial development fund which its organisers hope to expand to £43m with the support of the county-administered council workers' pension fund. Its aim is to create 5,000 new jobs a year in the Midlands.

However, even this scheme is opposed by large sections of industry. Anger has been aroused by the council's alleged lack of consultation with representative groups.

Mr John Warburton, director of the Birmingham chamber, said "We question whether it is sensible to extract money from industry on the basis that the council will invest it more wisely than companies. We don't believe the track record indicates that it will.

"We have made it clear to the council that we think it is on a disastrous course, and further discussions on the matter have been postponed."

There is also a strong possibility that some local authorities will find it necessary to impose supplementary rates before the end of the year, adding even further to industry's burden.

The chamber plans to strengthen its own industrial development scheme, Birmingham Venture, which is supported financially by a number of large Midlands companies. It has also set up a working party to examine the whole question of rates.

● Pay demands on many major companies in the West Midlands are rising more strongly following a relatively flat period, according to the regional CBI.

Members attending the quarterly regional council meeting said wage claims were often above 10 per cent. They were urged by the CBI to restrain them to less than half that figure.

About half the companies represented said they planned further redundancies in the next three months. Many said they were cutting investment.

Anxiety was expressed by motor component manufacturers over the effects of the proposed Nissan car plant in Britain. Many believe it will cause more redundancies unless a high proportion of parts are bought in the UK.

According to one council member, there is increasing opposition to the policy of attracting Nissan to Britain at any price.

Companies borrow more foreign money

BY DAVID MARSH

BRITISH COMPANIES seem to be developing an appetite for borrowing in foreign currencies. But they could be doing so at *the wrong moment* — when foreign interest rates are relatively high and sterling may be about to enter a prolonged weak phase.

Last year, when the pound was strong and interest rates abroad (especially on the Continent) were well below UK levels, some corporate treasurers were able to achieve considerable cost savings by switching borrowing into low interest rate currencies which were also falling against sterling.

However, as the table shows, UK residents generally did not make much use of foreign currency borrowing last year—though such loans seem to be increasing this year.

During 1980 many company treasurers used the freedom granted by the ending of exchange controls in October 1979 to repay foreign currency debt early—as it turned out, at just the wrong time.

Debt incurred now in, for *example, D-Marks—for which* interest rates are currently roughly the same as in sterling—could turn out very expensive if the pound were to continue last week's sharp fall against the Continental currencies.

Loans in dollars contracted six months ago would now also be looking extremely costly because of the rise in the U.S. currency since then. In view of high U.S. interest rates and the risk of further dollar appreciation, companies are now understandably becoming much more reluctant to borrow dollars, bankers say.

Latest Bank of England figures show that, during the three months to mid-May, manufacturing companies reduced their total outstanding bank loans in sterling by £743m to £14.4bn. But their foreign currency loans rose during the period by £346m to £3.21bn.

The rise was only £87m if the effect on the value of loans of sterling's fall during the three months is left out of consideration.

This meant that, as of mid-May, manufacturing companies' foreign currency loans amounted to 18 per cent of their total borrowing from UK banks—against only 16 per cent in February.

The latest figures may have been distorted by the civil servants' dispute, which has held up VAT payments to the Customs and Excise and thus lowered companies' need for sterling borrowing.

Bankers say hundreds of companies have opened flexible foreign currency overdraft facilities since the ending of exchange controls gave them complete freedom to hold and deal in foreign exchange.

UK BANKS' FOREIGN CURRENCY LENDING* TO BRITISH RESIDENTS

	Loans outstanding	Change during 3 mths adjusted for exchange rate effects
	£m	£m
1979 May	11,338	+ 373
August	10,466	− 23
November	10,841	+ 114
1980 February	10,729	+ 518
May	10,958	+ 255
August	11,105	+ 343
November	10,529	− 455
1981 February	10,475	− 376
May	11,432	+ 26

* Advances and acceptances.

Source: Bank of England

Rebuff for MPs on Gatwick

By Michael Donne, Aerospace Correspondent

MR JOHN BIFFEN, Trade Secretary, has declined to meet a deputation of MPs lobbying against the further development of Gatwick Airport as London's second major airport.

Mr Biffen, with the backing of Mr Michael Heseltine, Environment Secretary, is expected to announce before the Parliamentary summer recess whether or not the British Airports Authority will be allowed to build a second major terminal at Gatwick, raising that airport's capacity from 16m to 25m passengers a year.

The MPs had been hoping to persuade the Minister that Terminal Two would be unnecessary—a view strongly supported by the local environmental objectors. Mr Biffen has said he is acting in a semi-judicial capacity, and thus cannot meet the deputation.

The local environmental objectors, grouped in the Gatwick Area Conservation Campaign, point out that the Minister's decision is incompatible with the lobbying by other groups.

They point out that Mr Joe Gormley, the Nation Union of Mineworkers' president, has been lobbying on the Vale of Belvoir coal mining issue; British Airways is lobbying against Stansted Airport on commercial grounds; while the British Airports Authority itself is reinforcing its argument for massive airport development for London by emphasising the major capital sums to be spent.

The objections to Gatwick include the claim that investment in Terminal Two, estimated at about £190m, is unnecessary as a means of bridging the gap before Stansted becomes available.

The British Airports Authority's view, however, is that development of Gatwick is essential in addition to the development of Stansted, to meet the anticipated long-term growth in air travel to and from the UK.

Pledge to traders on VAT payment delays

BY TIM DICKSON

TRADERS UNABLE to obtain VAT forms because of a strike at the Customs and Excise computer centre at Southend will not be prosecuted for non-payment, it was announced yesterday.

Last month, Customs and Excise said that the 1.32m businesses registered for VAT are legally obliged to make returns even if this meant doing so using their own notepaper.

Usually, VAT forms—which are used by traders both for paying and reclaiming tax—are sent out each month by the computer at Southend. On March 9, however, this was shut down by the Civil Servants' dispute. As a result, hundreds of millions of VAT repayments are being delayed and monthly forms are not being distributed.

The Customs and Excise still insists that forms can be obtained from the assistant collector at local VAT offices or from the collectors at collection offices.

"Although in a technical and legal sense, traders are obliged to submit returns, we well definitely not be taking action against those who cannot get hold of forms" the Customs and Excise said yesterday.

"Earlier in the dispute, we were emphasising the legal obligation because of a statement by the unions to the effect that people did not have to pay. Now, however, we feel we have to take a pragmatic stance and reassure traders that there is no need to worry."

Customs and Excise still says forms are obtainable on request despite a large amount of anecdotal evidence from businessmen to the contrary.

Although it is possible to make returns on notepaper, Customs and Excise says that, ideally, it would prefer companies not to use this method.

Officials say it is not possible to make VAT repayments on a selective basis. The Government, however, has instructed Inland Revenue collectors not to press for mothly PAYE remittances and National Insurance contributions if they feel there are genuine difficulties about paying.

However, the delay in repayments is causing increasing concern to small companies faced with cash flow difficulties.

One of these is Industrial Cladding, a specialist sub-contractor based in Farnborough, Kent.

VAT repayments outstanding now amount to £45,000 and, according to its accountants, the company's bankers "are drawing a very tight rein."

"If this goes on for much longer the company, which has built up turnover to £1m in the past three years, could be in serious financial difficulties in the next six months," it said.

APPOINTMENTS

Group post at Shell

Mr M. S. Robinson, co-ordination supply—oil, SHELL INTERNATIONAL PETROLEUM COMPANY has been appointed a director of the company.

★

FM INSURANCE COMPANY (known as Factory Mutual International) has appointed Mr Ruud H. Bosman chairman and managing director. He replaces Mr C. W. Anderson, who has returned to the U.S. to one of FMI's parent companies—Allendale Mutual Insurance. Mr Michael L. French is appointed secretary in addition to his role as director of finance. Mr French replaces Mr L. H. Courtman, who has left the company.

★

SILKOLENE LUBRICANTS, Belper, has appointed ex-BBP Oil chief executive Mr Denys (Tiny) Milne, as a non-executive director. He is a former president of the Institute of Petroleum and became president of the UK Petroleum Industry Association in January 1980. He is also a member of the Government-appointed Advisory Council on Energy Conservation. Mr Milne succeeds Mr Wilson Carter who has retired.

★

Mr Gerald Lloyd-Williams takes over from Mrs Nora Potter as director-general of the FEDERATION OF SUSSEX INDUSTRIES when Mrs Potter retires in November. He is a former managing director of Pepsi-Cola, and overseas development chief at Mobil Oil. More recently he has been managing director of a business consultancy, Clemdale Associates, specialising in helping small firms obtain finance and management skills.

★

Mr Michael J. Whittle has been appointed managing director of BECLAWAT Newport Pagnell-based manufacturing subsidiary of The British Land Company.

★

Mr Alan Wiseman has been appointed a general manager of ITALIAN INTERNATIONAL BANK.

★

Mr A. J. Burley and Mr Harry Scott has been appointed to the board of HENRY BATH AND SON, a subsidiary of Britannia Refined Metals.

★

Mr Ellis Pruchnie, director of Macpherson Overseas, has been appointed group overseas development manager of the DONALD MACPHERSON GROUP. He was previously managing director of Pearl Paints which was acquired by Donald Macpherson in November 1980.

★

Mr Cliff Whitehouse has been appointed managing director of KENT-MOORE UK, Birmingham.

★

The MOSS ENGINEERING GROUP has reorganised its executive structure into five operating divisions with the following divisional chief executives from September 1, Mr Dennis Dodge, environmental; Mr Gordon Smith, Midlands manufacturing; Mr Douglas Herbert, electrical; Mr Reg Adams, vehicle parts; and Mr Ian Cavanagh, Accrington manufacturing.

★

Mr Peter Cooper has joined WISE SPEKE AND CO., stockbrokers of Newcastle upon Tyne, Leeds, Middlesbrough and London, as an associate, and has been appointed head of research. He was previously an associate member with Henry Cooke Lumsden and Co.

★

Mr Michael Webster is to resign as managing partner of BROCKLEHURST MARINE from September 30.

★

Mr George Percival has been appointed by BRITISH GAS as director of its Watson House Research Station. Mr Max Tighe has become director of personnel services at British Gas headquarters. Following the retirement of Dr Dennis Hebden, Dr John Lacey has been made programme director, substitute natural gas, in the R and D division. Dr Lacey will be based at the Midlands Research Station in Solihull, where he retains his position as assistant director.

★

Mr Alan Hobday has been appointed group financial director of PERCY LANE GROUP.

★

Mr P. C. Smith of Davis Trunking has been elected president of the BRITISH ELECTRICAL SYSTEMS ASSOCIATION for 1981-82.

★

Mr Peter M. Evans, managing director of Harcostar, has been elected chairman of council, INSTITUTE OF PACKAGING.

★

Mr Clive Newman has become general manager of DYNAPAC (UK), the newly formed subsidiary of Dynapac Maskin AB of Sweden. Directors of the new company are Mr Gunnar Stromberg, Mr Rolf Bergstrom and Mr Olle Erlandsson.

★

Mr Adam Askew has been appointed managing director of LUNDY-FARRINGTON, Portsmouth.

★

The Secretary for Social Services has appointed Sir Alec Atkinson to the OCCUPATIONAL PENSIONS BOARD to succeed Dame Mildred Riddelsdell, who has resigned. Sir Alec was Second Permanent Secretary at the Department of Health and Social Security until 1979.

★

Mr B. R. Suttill has been appointed chairman of THOMSON NORTH SEA. He succeeds Mr I. M. Clubb, at present finance director of Thomson British Holdings, who remains on the board. Mr J. Darby replaces Mr Suttill as managing director.

★

Mr Christopher Dollard and Mr Peter Wood have been appointed associate directors of CHARLES BARKER LYONS.

Closed shop agreements widen the rift over local government

NOTTINGHAMSHIRE County Council yesterday became the second shire authority in two weeks to announce moves towards a union closed shop for many of its employees.

The council stressed yesterday that talks with unions representing some 13,000 manual workers are at "a very early stage." Any closed shop agreement would only apply to new entrants without affecting any existing non-union members working for the council, it said.

The move is likely to heighten the relatively new controversy over local government closed shops. This was underlined last week when the Freedom Association announced its backing for four part-time council workers sacked recently by Walsall Metropolitan District Council for refusing to join a union.

Derbyshire County Council last week agreed a closed shop for its 13,500 manual workers in the National Union of Public Employees. Like Nottinghamshire, it was gained by Labour in the county council elections in May.

Unions in local government believe there is a new impetus towards closed shops in local government.

The closed shop has come under public scrutiny during the recent six-month period of consultation on the Government's Green Paper on trade union immunities. And the unions view every new agreement in local government as further evidence that many employers agree with them on the industrial relations benefits of closed shops.

Despite the national publicity given to the sacking of Ms Joanna Harris, a poultry inspector with the Sandwell Metropolitan District Council last February because she refused to join a union, the issue of closed shops in local government has taken very much a second place in the debate of the Green Paper. Much of the

Pauline Clark reports on the latest council moves towards union deals

argument so far has centred on closed shops in the private industrial sector.

The National and Local Government Officers' Association, representing most of Britain's 540,000 local authority white-collar staff, claims there are at least 53 closed shop agreements, many of which date back for many years.

The National Union of Public Employees, the major union representing manual council workers, has yet to count the number of agreements it has achieved so far. But it claims at least 14 important agreements since the beginning of 1980.

Mr Rodney Bickerstaffe, NUPE's local government national officer, expects the trend to be sustained in the face of employees' concern about redundancies. He emphasises that many councils agree with unions that closed shops offer special advantages to both sides within the institutionalised collective bargaining procedures in local government.

Both unions firmly believe that employees who benefit from pay settlements reached by union leaders should be expected to pay their dues to the appropriate union.

Council employers as a body have less scope for expressing their views on the closed shop because their national representative associations believe closed shops are a local issue.

Mr Toby Eckersley, opposition leader in the Labour-controlled London Borough of Southwark, wrote to the Secretary for Employment at the end of last month complaining that the public sector was mentioned only once in the Green Paper.

He pointed out that ratepayers are likely to fear that pressure for closed shops came not from the "belief that they improve industrial relations but because they raise the incomes of the unions involved.

Mr Eckersley added that close connections between councillors and local government trade unions must put doubt in the public mind about the ability of elected members to have sufficient regard to the interest of ratepayers and the community in negotiating with trade unions.

"The influence of the unions over the selection or reselection of councillors must be a factor of special concern," he said.

Mr Eckersley's recommendation that the closed shop should be outlawed in the interests of public confidence suggests an area of controversy in the local government closed shop issue which may be overdue for public airing.

Unequal deal for women

By Our Labour Staff

WOMEN are still concentrated in low-paid, unskilled jobs because employers tend to obey the letter rather than the spirit of the equality laws, according to the Equal Opportunities Commission.

The commission's fifth research bulletin, published yesterday, said women are entering low-grade jobs because of lack of skills, qualifications and experience.

Of 768 companies surveyed, most had made no changes in employment policy since the Equal Pay and Sex Discrimination Acts came into force—other than those which were legally compulsory.

Although nine tenths of companies had an equal pay policy, men's earnings were consistently higher than women's, the researchers claim.

EOC Research Bulletin No. 5. Women and Under-achievement at Work. Free of charge.

TUC faces battle on rival unions ruling

BY JOHN LLOYD, LABOUR CORRESPONDENT

A SECTION of the TUC's annual report to Congress in September will be challenged by one of its major affiliates, the 480,000-strong Association of Scientific, Technical and Managerial Staffs.

Ms Muriel Turner, the ASTMS assistant general secretary, will refer back a TUC disputes committee ruling on an inter-union struggle at General Accident insurance company. The ASTMS lost to the 150,000-strong white-collar union Apex at General Accident.

She will argue that the judgement, which orders the ASTMS to hand back some 1,000 members to their former union Apex, is in direct contradiction to a 1974 award by a disputes committee which designated ASTMS as the "appropriate union" for white collar staff in the company. The committee also censured Apex for merging with the company's staff association, SAGA.

Apex has based its case on High Court ruling which overturned the earlier decision on the grounds that the TUC's decision was ultra vires.

The bitterness between the two unions is considerable, more so since both have explicit mandates from their conferences not to compromise on the issue. The ASTMS has produced an incompromising broadsheet, urging staff members to join the Association.

The ASTMS concedes it will be difficult to gain support because congress has always supported disputes committees' judgments, and because TUC rules prohibit the distribution of propaganda by one side of an inter-union dispute.

However, ASTMS has the advantage of having a powerful member of the TUC general council, Mr Clive Jenkins, as its general secretary.

Call for united pay strategy

By Our Labour Staff

UNION delegates representing some 570,000 local government staff yesterday called for a united campaign with council manual workers over pay in next winter's new wage round.

A conference of more than 1,000 delegates in the National and Local Government Officers' Association backed a motion urging all unions in local government to agree a common pay strategy.

On the recommendation of the *Nalgo leadership, the conference* accepted a 7.5 per cent pay increase from this month, in line with settlements for manual council workers and teachers.

Move to break ICI deadlock

IMPERIAL Chemical Industries has agreed to meet leaders of its manual unions next week following their rejection of its 8.5 per cent pay offer.

Negotiations are continuing at company level within the main chemical industry agreement, following rejection by the unions of the national Chemical Industries Assoication offer of 7.2 per cent.

Retaliatory action against civil servants urged

BY NICK GARNETT, LABOUR STAFF

THE GOVERNMENT was urged yesterday by the Association of British Chambers of Commerce to take retaliatory action against the civil service unions.

Meanwhile, the response to the unions' call for higher strike funds has received a more positive response from members than some union officials expected.

The association has written to Mrs Thatcher urging the Government to refuse to backdate pay rises for the unions, and to review increments policy.

A separate letter to the Chancellor says public sector wage increases should be held down to "significantly" less than 7 per cent in the next wage round.

The unions have secured £1.4m in strike levy funds over the past two weeks, with £894,000 coming last week.

This would be enough to continue *selective stoppages* at current levels for some time. The unions' major policy committee decided yesterday to curtail much of the selective action in defence establishments, partly because of the recent announcement of severe job cutbacks, especially in the dockyards.

Dislocation to passport offices might also be reduced from next week.

The clash between the Civil and Public Services Association, the largest civil service union, which prefers an all-out stoppage, and the other eight unions who have so far been committed to maintaining selective action still remains.

Mr Ken Thomas, the CPSA's general secretary, repeated yesterday that although the selective action had been the most harmful ever mounted by civil service trade unions, it had failed.

The Council of Civil Service Unions yesterday exchanged letters with Mr Francis Pym, Paymaster-General, about public service pensions, payments of which have been disrupted by *industrial action. The unions* have been seeking a meeting with Mr Pym

Mr Pym said he saw no purpose in a meeting and he wished the unions would put the plight of pensioners before the aims of disruptive action.

STRUGGLE OVER YARD ENTERS ITS FOURTH YEAR

Anniversary on the picket

SHIPYARD WORKER Mr John Brooks yesterday started "work" on the picket line as he has done for the past 1,096 mornings.

Mr Brooks, aged 63, used to be employed as a £63-a-week scaler at Western Ship Repairers yard in Birkenhead. When it closed exactly three years ago, making 625 redundant, Mr Brooks joined a mass picket aimed at winning their old jobs back. Management blamed a lack of orders for the decision to close the yard.

However, as it become obvious that the campaign was not succeeding, numbers dwindled. Yesterday only 12 men marked the sad third anniversary by drinking several cans of lager. Nevertheless, the few are determined that their struggle — which they believe is the longest of its type in British trade union history—will continue.

The premises are owned by the Laird Group of London, an organisation with widespread interests. Its seven dry docks are said to be among the best in Western Europe. Three have been acquired by British Shipbuilders for use by the neighbouring Cammell Laird Shipbuilders. A notice inside the old clocking-on gates at Westerns reads: "For sale. Freehold offices. Industrial building site."

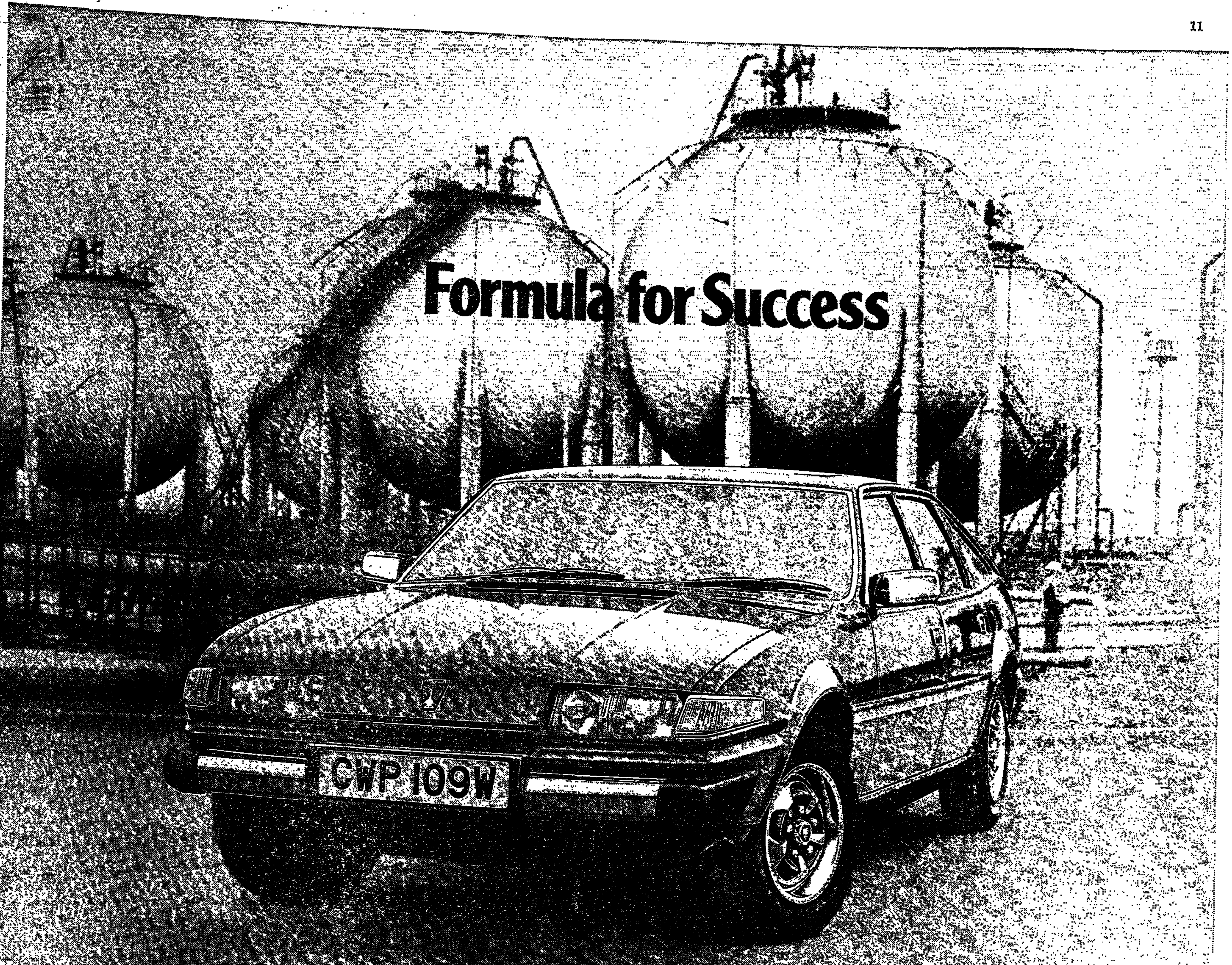
Mr Terry McCready, picket leader, said: "While we are here we are stopping any people using the remainder of the yard and we have been promised that if at some stage British Shipbuilders starts recruiting again, consideration will be given to the men who have been on the picket line here since Day One. But we are disgusted by the lack of support coming from all the unions except the TGWU.

The determination of the pickets is demonstrated by John Brooks. He said: "I get up every day at 6 am because that was what I used to do over the 12 years I was employed at the yard.

"Now I only get £40.70 a week dole. There is no point in my wife, Sheila, working because she is only allowed to earn up to £4 a week before they start reducing my dole.

"I have been here every single morning since the picket started and that includes Christmas. There is no hope of us finding any other work."

Birkenhead has 11,255 unemployed, or 17.6 per cent, which is slightly higher than Liverpool.



119 mph + 39.6 mpg at 56 mph = Rover 2600S

To succeed in todays economic conditions, a car needs a combination of exceptional qualities, all in good measure.

It should be fuel-efficient.

The Rover 2600S delivers nearly 40mpg at cruising speed and over 30mpg at the legal limit.

But it shouldn't sacrifice performance.

The Rover 2600S accelerates to 60 in just 10.7 seconds and will accelerate on, if you get the chance, to a top speed of 119mph.*

It should incorporate the benefits of advanced technology.

High technology was designed into the Rover range from its very conception: the Air Temperature Control Unit, for example, ensures that the engine fires at maximum fuel saving efficiency at all speeds and temperatures.

It requires totally efficient aerodynamics. The distinctive style of the 2600S contributes to its economy, exceptional road stability and adhesion, making it a delight to drive.

It should be highly specified and versatile.

The Rover 2600S converts from saloon to estate car in seconds and is superbly equipped with electric windows, a steel sliding sunroof, improved sound insulation, a 5 speed gearbox and central door locking all as standard.

That attention to detail and value is evident right across the range of five Rovers: the 2300S comes with central door locking and power steering; the Rover Vanden Plas is equipped with electronic cruise control.

And every Rover is finished with an advanced paint process that ensures high and lasting quality.

Above all, a successful car should have character.

Rover remains perhaps the most distinctive and individual car on the road.

All in all, it takes an exceptional car to succeed today.

Rover is that exception.

Rover

2300/2300S/2600S/3500E/VANDEN PLAS

Success breeds success.

Govt. Fuel Figures—mpg (L/100km). Rover 2600S: Urban 18.5 (15.3): 56mph (90km/h) 39.6 (7.2): 75mph (120km/h) 31.5 (9.0). Rover prices from £7,061.38. Rover 2600S £9,249.07 inclusive of car tax and VAT. Delivery, number plates, road tax and options extra. Prices correct at time of going to press. *Source: manufacturer. See Yellow Pages for your nearest dealer.

Railmen's conference backs Healey

By Philip Bassett, Labour Staff

LEADERS OF the National Union of Railwaymen were vindicated in their strategy to outflank the increasingly powerful Left wing of the union yesterday, when a secret ballot of delegates at the union's annual conference on the Labour Party deputy leadership returned a vote for Mr Denis Healey.

Union leaders were worried that the union's block vote at the party conference might go to Mr Tony Benn if the issue went for decision by the NUR executive committee, on which the Left now believes it has a majority.

Last week agreement of conference delegates was secured that the question be decided by the two-week NUR conference in St. Andrews.

The 77 delegates, each representing a group of the union's 650-odd branches, voted 44 for Mr Healey, 29 for Mr Benn and four for Mr John Silkin.

Though the NUR's membership has fallen to about 167,000 this year, it has for the present maintained its Labour Party affiliation on last year's figure of 180,000, which is the number of votes it will deliver for the Healey campaign at the party conference.

Mr Healey secured more than 57 per cent of the delegates' votes, but the size of the vote, for Mr Benn in particular (37 per cent) and fo rthe two Left-wing candidates together (42 per cent) will do little to calm NUR leaders' worries about the growing strength of the Left in the union.

Engineers in Labour Party vote surprise

By Nick Garnett, Labour Staff

THE EXECUTIVE of the Amalgamated Union of Engineering Workers Engineering Section voted unanimously yesterday to put its 900,000 Labour Party block vote behind Mr Denis Healey for the party's deputy leadership.

Union leaders have said that this decision will be left to the union's delegation to the party conference. That the executive voted on the issue yestrday was therefore somthing of a surprise.

Mr Terry Duffy, the president said that under recent rule changes the decision of the executive was binding on the delegation to the Labour Party.

The delegation in any case has a Right-wing majority and was expected to vote for Mr Healey.

The question has now arisen whether the union will maintain support for Mr Norman Atkinson an AUEW member and sponsored MP, as party treasurer. This was not discussed, and Mr Duffy hinted that it could be left for the delegation to decide. There is some speculation that the union might swing support behind Mr Eric Varley.

Scarman to probe Liverpool riots

BY ELINOR GOODMAN

LORD SCARMAN is to look at the riots in Liverpool as the second part of his inquiry into the disturbances at Brixton.

This was announced yesterday by the Prime Minister during a noisy Question Time, at which, for the first time, she acknowledged that unemployment could be one cause of the kind of social tensions seen in Liverpool over the past few days.

Under a sustained and noisy attack from the Labour benches, Mrs Thatcher insisted that there could be no excuse for violence. But she conceded that unemployment was one factor behind the riots.

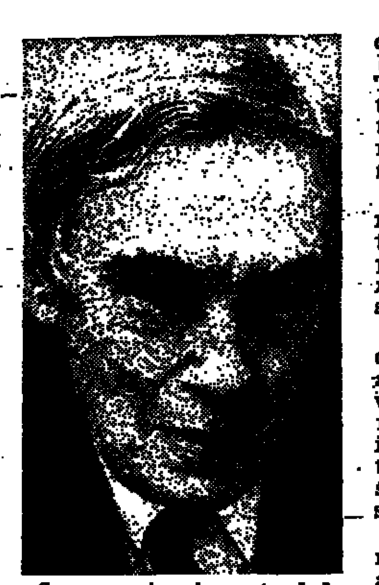
Her attitude suggested that the events of the last few days had seriously worried her and that she may have moved a little closer towards accepting the arguments about social implications of unemployment.

She said that she would herself be going to Liverpool sooner than she had planned. The disturbances, she said, were the "worst experience we haxe yet had in this country."

In one of the most concerted attacks on the Government for several months, Labour MPs blamed the riots on the Government's failure to tackle unemployment.

To loud Labour cheers, Mr Michael Foot, the Labour leader, accused her of having failed to grasp the significance of the matter.

Thatcher: jobless admission



Scarman: inquiry extended

He condemned her for presiding otver the greatest increase in massive youth unemployment this century. He demanded that Mrs Thatcher reversed "every single policy which touched on these matters."

Mrs Thatcher stuck to her basic argument that there was no substitute for genuine jobs, and that the Government had already done a great deal to help Liverpool.

"I do not think anything would condone the violence which took place—anything at all." But she acknowledged that unemployment might be one of the factors.

She insisted, however, that it was not a principal factor behind the riots, and pointed out that Opposition MPs had on Monday agreed that it was not the main cause.

Replying to Mr Michael Foot's call for the Scarman inquiry to be "greatly extended," Mrs Thatcher said it was essential to get at the causes. But in the meantime "one's first action must be to uphold the law and support the police."

Meanwhile, in a speech last night, Mr William Whitelaw, the Home Secretary, was at pains to reaffirm the Government's commitment to an equal society.

He said he was very concerned about the incidence of attacks by racists, and there was disturbing evidence that racialist activity was on the increase. He too acknowledged the dangers of an escalation in social tension during a recession.

"In a time of economic recession the enemies of reason and of democracy are quick to exploit the sense of grievance and the sense of failure which some of our young unemployed naturally feel."

He said he could not express too strongly the Government's "contempt and condemnation of those depraved and cowardly people who vented their aggression and frustration on the ethnic minorities." Such activities were intolerable and would not be tolerated, he promised.

But equally, he insisted, the country could not tolerate violence directed against the police.

Carrington dismisses Afghanistan objections

By Margaret Van Hattem, Lobby Staff

SOVIET arguments against EEC proposals for an international conference on Afghanistan were "unconvincing" Lord Carrington, the Foreign Secretary said yesterday.

In a statement to the Lords on his talks with the Soviet Foreign Secretary, Mr Andrei Gromyko, in Moscow on Monday, he appeared to draw encouragement from the fact that Mr Gromyko had not rejected the proposal outright.

Lord Carrington said Mr Gromyko had termed it "unreasonable" but had not ruled out further talks.

"For my part, I made it plain that the proposal remains on the table and that its details are open for discussion," he added.

The proposals, first advanced by Lord Carrington and subsequently backed by the EEC, appear to have been drafted specifically to conform with several Soviet policy pronouncements in an attempt to make outright rejection of them virtually impossible.

The Government is now awaiting further response from the Soviet Government, possibly in the form of a letter to the British Government as President of the EEC Council of Ministers.

The Government will report back to its EEC partners at next week's Foreign Ministers Council in Brussels.

In the Commons yesterday, Mr Denis Healey, the Shadow Foreign Secretary, accused EEC heads of government of deliberately overplaying this initiative at their last summit meeting.

Sir Ian Gilmore, (Lord Privy Seal) replying in the Commons, said the Soviet authorities were now forced either to talk or to find convincing reasons for turning down the scheme. "So far they have not done so," he added.

Heath highlights Tory concern over Nott's defence plans

BY IVOR OWEN

CONCERN among Tory MPs that the contraction of the Royal Dockyards may make it impossible for ships in the Navy's operational reserve to be made ready for action quickly in an emergency was highlighted by Mr Edward Heath, the former Prime Minister, in the Commons last night.

iHs powerful speech underlined the fact that Mr John Nott, the Defence Secretary, had failed, despite repeated attempts, to reassure fully the Tory benches. Mr Nott had called on the House to approve the governments defence policy.

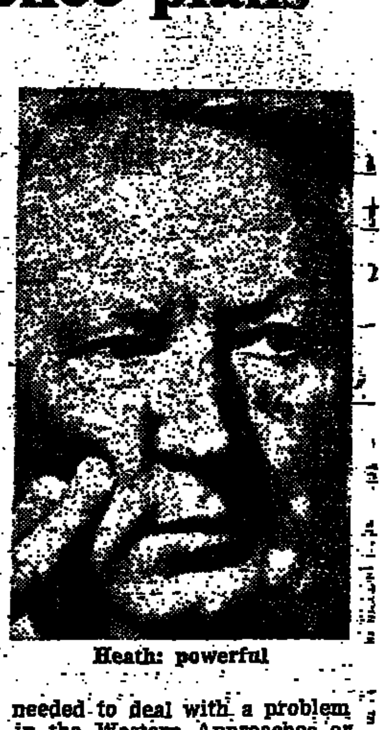
The Defence Secretary justified his decision to close Chatham dockyard and to run down the repair and refit facilities at Portsmouth on the grounds that without cutting the cost of the Navy's supporting infrastructure and accepting "a rather smaller surface fleet" it would not be possible to achieve the overall strengthening of Britain's defence capability planned by the Government.

Mr Nott's main theme in dealing with a succession of probing questions from the Tory backbenches was that he had found it "almost impossible" to enhance Britain's front-line capacity unless he looked for savings elsewhere.

He won cheers from some Government supporters when he stressed: "I looked to the infrastructure rather than the front line."

Mr Heath showed he had not been convinced by emphasising the need to be able to deal with a situation in which it was necessary to have the dockyard capacity to refit ships quickly in the standby fleet and to assemble their crews.

With the closure of Chatham and the run-down of Portsmouth, he said, the country needed to be assured that adequate capacity would be left if ships were urgently needed to deal with a problem in the Western Approaches or in the Gulf.



Heath: powerful

Mr Heath had no hesitation, however, in backing the Government's decision to acquire the Trident missile system as a replacement for Polaris.

Mr Nott denied suggestions that because the Government had chosen to modernise Britain's nuclear deterrent the effect must be to lower the nuclear threshold.

He declared: "In fact the opposite is true since a large part of the extra funding proposed by the Government has gone into considerably raising the staying power of our conventional front line, thus raising the nuclear threshold in Europe."

Mr Brynmore John, Labour's defence spokesman, who announced that the Opposition would vote against the Government's entire defence policy, accused Mr Nott of again failing to give a complete account of the cuts which the Government intended to make.

Heseltine under fire on housing

BY MICHAEL CASSELL

THE NOW CELEBRATED reluctance of Mr Michael Heseltine, Environment Secretary, to provide any analysis of the impact of spending cuts on the national housing programme, or indeed to make any assessment of how many houses will be needed in the next few years, again came under fire yesterday from the Select Committee on the Environment.

Confrontations with Mr Heseltine on Government housing expenditure plans have become the highlight of the committee's calendar.

Members assemble, determined to extract some indication from the Minister and his Departmental officials about the form and level of the housing programme in the next few years.

Each time they depart having learnt little more than the extent and range of Mr Heseltine's skills in turning awkward questions to his advantage or avoiding answering them altogether.

The committee has previously warned that the country now faces a 500,000 shortfall of public and private-sector homes by the middle of this decade, with public-sector starts falling below 30,000 a year and thereby perpetuating a development programme not seen since the 1920s.

But despite the all-party committee's fears and its simmering contempt for the peremptory fashion in which Mr Heseltine sweeps aside its regular cries of concern, the Miister remains unmoved and continues to profess his inability to provide the type of information demanded.

His case, if his stylish exercise in semantics can be so called, rests on the fact that having given housing authorities "unprecedented discretionary powers" to allocate whatever resources he makes available however they wish, he is not answerable for their actions and unable to suggest how they will spend the cash.

Under his direction the Department of the Environment did not maintain the momentum of previous forecasting exercises because earlier efforts were doubted even by those involved, and because he "did not see where it would take us."

Speaker suspends Skinner

By Elinor Goodman

MR DENNIS SKINNER, the Left-wing Labour MP for Bolsover, was ordered to leave the Commons yesterday for the second time in a year.

The speaker, Mr George Thomas, suspended him amid uproar for the rest of day's sitting, after he had repeatedly tried to use a point of order to accuse the Speaker of raising money for the Tory party.

Mr Skinner's insistence on making an issue of what had clearly been an embarrassing misunderstanding involving the Speaker, infuriated other MPs who accused him of stealing headlines from Mr Michael Foot, the Labour leader.

Only minutes before, Mr Foot had launched a blistering attack on Mrs Thatcher, blaming the Liverpool riots on her Government's failure to tackle unemployment.

His suspension followed a series of increasingly angry exchanges during which the charges during which the Speaker repeatedly told Mr could not be raised on a point of order.

Mr Skinner claimed that by going to a weekend fete at the home of Mr Robert Adley, Conservative MP for Christchurch and Lymington, the Speaker had helped to raise money for the Tory party.

Mr Thomas was elected as Labour MP for Cardiff West, but, as Speaker, he is supposed to be above party politics. In a statement afterwards, he said he had gone to the garden party only after he had been assured that it was a non-political event, Mr Adley has since written to him, apologising for the confusion.

Tougher share interest rules

THE GOVERNMENT'S 22 clauses outlining the proposed tougher legislation on disclosure of interests in companies' shares were passed yesterday without amendment by the Commons Committee studying the Companies Bill.

Today in Parliament

Commons—Supply day debate on regional policy. Debate on Opposition motion on higher education, Forestry Bill, Lords amendments. Antique Termination of Association Order. Furniture Development Council (Dissolution) Order.

Lords—Transport Bill, report. Armed Forces Bill, committee. Zoo Licensing (No. 2) Bill, third reading.

Select Committee—Defence. Subject: Royal Dockyards. Witnesses: Ministry of Defence and Council of Civil Service Unions: 10.30 am, room 15. Education. Subject: secondary school curriculum and exams. Witnesses: Schools Council. Employment. Subject: legal immunities of trade unions. Witness: Mr James Prior, Employment Secretary: 3 30 pm, room 10. Energy. Subject: North Sea oil depletion policy. Witnesses: Shell, Esso: 4.15 pm, room 6. Treasury. Subject: efficiency and effectiveness of Civil Service.

Jenkins outlines six-point plan to provide 1m jobs

BY MARGARET VAN HATTEM, LOBBY STAFF

MR ROY JENKINS outlined a six-point economic plan yesterday which would, he said, create more than 1m jobs within two years.

Mr Jenkins, who is campaigning in the Warrington by-election as the Social Democratic Party's first Parliamentary candidate, was speaking at a public meeting in the constituency. He called for:

- A £70 weekly grant to every employer who took on an extra worker unemployed for six months or more, costing £400m and creating 250,000 jobs.
- A £500m expansion of public investment in industries such as telecommunications, railway modernisation, coal and infrastructure, creating 50,000 jobs.
- A £250m general programme of housing renovation to create 250,000 jobs.
- A £200m scheme to provide 60,000 women with part-time jobs in social services, particularly caring for the aged.
- A £300m scheme to employ 200,000 young people in the 16-8 age group by expanding the work experience programme and liberalising the apprenticeship system to provide more places.
- A lower exchange rate for sterling, brought about by lower interest rates, curbs on exploitation of North Sea oil, and moderation in wage settlements. This would create 250,000 jobs "quite quickly," and over 1m is sustained for five years.

The entire programme would boost public borrowing by £2bn to £3bn a year, which was, he said, "less than Sir Geoffrey Howe's margin of error last year."

'Bloody nose' warning for CBI

BY MARGARET VAN HATTEM, LOBBY STAFF

MR BILL KEYS, general secretary of the print union SOGAT, told the CBI yesterday to stop "playing politics" on new trade union legislation.

Appearing in his capacity as a member of the TUC General Council before the Commons Select Committee on Employment, Mr Keys agreed with Mr J. Cragin that the response to the Government's Green Paper on trade union immunities was being "orchestrated" in an attempt to "stampede" Mr James Prior, the Employment Secretary, into new legislation.

He said: "The Government is getting very bad advice from the employers, who are putting politics before industrial considerations.

"The CBI had better remember 1970, when we went through all this before. They got a bloody nose then.

"This time, they had better make up their minds whether they want to play politics or to seek co-operation with the unions."

Mr Keys earlier attacked the Government, which he said had not allowed the TUC enough time to consult its membership on the contents of the Green Paper.

He stoutly rejected charges of filibustering. The issue was *too fundamental to the trade* union movement to be rushed, he said. The unions' reaction to the Green Paper would be "extremely hostile."

The Government, he said, in deep trouble over its economic policies, was using the unions as a whipping boy.

"For God's sake let's stop pussyfooting around while we've got 3m unemployed and are seeing the basis of our society destroyed, as we've seen happen in the past week.

"Stop putting us up as some coconut in some damn alley with things fired at us, and let us get on with the job we're supposed to do."

Mr Keys reserved his strongest criticsm for Fleet Street managements. Under questioning from Mr Jonathan Aitken he conceded that some unions were "out of control" on unofficial action.

"The management of Fleet Street deserves the workers of Fleet Street, and vice versa."

Social Democracy: the faces behind the credit cards

Elinor Goodman reports on the new party and its members

ON THE evening of March 26, the day of the launch of the Social Democratic Party, the telephone in the temporary headquarters of the SDP's Midlands operation was ringing, on average, once every 30 seconds. Mrs Shirley Williams had made a flying visit and the atmosphere was heady with enthusiasm. Everyone there was convinced they were in at the start of something big.

Three months later, the Social Democrats in Birmingham, like other members throughout the country, are beginning to establish themselves as a group, and to focus on the practicalities of the awesome task ahead.

Ten days ago 200 members crammed into the Friends Meeting House for the inaugural meeting of the provisional Birmingham area party.

They were a pretty mixed lot, bound together by a common dissatisfaction with the present party system and a vague desire for something new. Most were middle class, well meaning and neatly dressed — there was hardly a pair of jeans in the place. Many were youngish and politically inexperienced. But there were also a number of older Labour Party stalwarts, still carrying with them the dust of Labour committee rooms, as well as at least one elderly gentleman who looked as if he had come straight from running a Tory party fete.

There was no shouting, no points of order, and a general air of painstaking reasonableness prevailed. Even the bores were very politely shut up.

For the most part, the enthusiasm of the March launch was undimmed, although only about a third of the Birmingham members eligible came to the meeting. There seemed to be an almost desperate determination not to let the opportunity of the launch slip away, and to get on with recruiting more local members.

Despite the reluctance of the chairman to let the meeting disintegrate into a chaotic game of musical chairs, the members insisted that different parts of the hall should be allocated to each constituency to give members an opportunity to meet neighbouring converts. The corners reserved for the more affluent middle class constituencies, such as Edgbaston, filled up quickly with confident looking people noisily exchanging addresses, planning meetings and clearly enjoying what was for many of them the novel experience of active politics.

> 'People use phrases like "a breath of fresh air" and talk enthusiastically about bringing fresh ideas to politics'

In the parts of the room reserved for the working class constituencies, like Perry Barr and Ladywood, groups of two and three huddled together, greeting each other with the delighted surprise of a missionary discovering another Christian in country previously thought to be inhabited exclusively by cannibals.

The members at the meeting were a fraction of the 51,849 people who, at the last official count at the end of April had joined the party, a figure which is rising by about 100 a day.

The figures produced by the Midland Bank computer for the SDP show a much stronger representation in London and the South than in Scotland, Wales and the North. But beyond that, even the SDP organisers seem to have no real idea about precisely who is being drawn into the new party and why.

The nearest Mr Bill Rodgers, a member of the SDP collective leadership, will go, is to say that the party is appealing to "thinking people."

Many, he says, have never been involved in politics before. He sees this as one of the party's main strengths.

But however much the SDP itself might like to get away from class, the stereotype of a typical SDP member has already been established as thoroughly middle class and a touch wishy washy.

A trip round various SDP meetings confirmed, to some extent, the middle class image. It also tended to reinforce the idea of a party made up of people brimming with good intentions but with, as yet, no real biting edge to their enthusiasm. But the membership is not as solidly middle class as Labour politicians would like to think, and the party does seem to be attracting young people who until now have had no interest in politics—on average about a third of those at last week's meetings were under 30.

It is also managing regularly to attract audiences of over 500 at public meetings addressed by the leaders.

The type of people who attend the meetings vary around the country.

A meeting in London's Bayswater was dominated by professional and media people. Outside London, in places like Leeds, Middlesbrough and Manchester, businessmen, teachers and other professional people were also very much in evidence. But there were many others who could not conceivably be labelled middle class.

In Redditch, for example, the middle aged wife of an unemployed pipe-fitter was holding a meeting for about 20 members in her front room. She was a former Labour councillor, the kind of down-to-earth person that moderate Labour MPs like to think provide the bedrock of the Labour Party.

She had left the Labour Party because she did not like the way it was going, and insisted that she would not rejoin it. At the same meeting was a trade unionist, with close cropped hair, who looked like a middle-aged punk and boasted that he carried a banner opposing strike action through the town last year.

To the horror of some of the younger members, he could scarcely be contained from rushing out there and then to start canvassing. *And he wanted* to know what the party was going to do about hanging.

Many who became involved with the SDP at its earliest stage came from the ranks of Labour malcontents. In the North, particularly in those areas where Labour MPs have defected to the Social Democrats, the majority of active SDP members voted Labour in the past, and some of the key organisers previously held positions in the Labour Party.

Those who have come to the party without any previous experience seem to be attracted as much as anything else, by its very newness. People use phrases like "a breath of fresh air" and talk enthusiastically about bringing fresh ideas to politics.

They like the idea that the SDP has no detailed policies, and that they may be able to influence them as they emerge.

> 'Most were middle-class, well meaning and neatly dressed—there was hardly a pair of jeans in the place'

The idea of "one member one vote" has struck a real chord.

Disenchantment could set in if the leadership appears to tamper with this principle by, say, giving MPs a bigger say than ordinary members in electing the leader.

Most of the former Labour members have joined because, like the SDP founders, they did not like the way Labour was going. In the same way, some Tories have joined because they do not like what Mrs Thatcher is doing to the Conservative Party.

Some of these people could presumably be wooed back to their old parties if Labour or the Conservatives moved towards the centre. Certainly this could be a problem for the Social Democrats at the next election, but the SDP activists insist that they have joined the new party for purely negative reasons.

What they want, they say time and again, is an end to the politics of confrontation and to the situation where one party always feels obliged to reverse the policies of its predecessors.

Some of the businessmen talk unselfconsciously about wanting *a "centre party"—not realising* that this is a description the leaders shy away from—but most of the younger members seem to prefer phrases like "a radical alternative."

In terms of precise policies, the membership seems pretty open-minded, and opposed to what is referred to in SDP circles as "manifestoitis"—generally defined as an unhealthy obsession with manifestos. Judging by the applause at last week's meetings, the members tend to be pro-EEC, pro-NATO, pro-proportional representation, in favour of the mixed economy, anti-privilege (but, beware Mrs Williams, pro-choice in education) and worried about unemployment.

Because the policies are still so general, the party has even attracted some anti-marketeers and unilateralists who apparently hope that they can sway it to their way of thinking.

It has also got its fair share *of cranks.* One National Front mole was unearthed in the South, while most of the groups will probably get one or two members with hobby horses of their own which they have failed to find a home for in the other parties.

Some of the things the Social Democrats seem to be talking about are already on offer from the Liberals. But for many SDP members, the Liberals are identified with failure. What the Social Democrats and Liberals do have in common, however, is an enormous enthusiasm.

The problem for the SDP organisers is channelling that enthusiasm into an organisation capable of winning elections and not letting it seep away as the groups get down to the nuts and bolts of organisation and—potentially more divisively—policies.

So far, around 120 provisional area groups have been set up with varying degrees of effectiveness. Underneath them are

Some are now beginning to several hundred local groups. organise things locally—going out knocking on doors, handing out leaflets and even planning SDP picnics for the Royal Wedding.

The response to appeals for help at the Warrington by-election suggest SDP members are very keen to start spreading the gospel: they have been arriving in bus loads, some even bringing their own furniture in *response to a request for chairs* for the Press room.

But by-elections always engender a special spirit. The real challenge will come over the next 12 months and next year's local elections, in particular, will provide a test of the new party.

But before then the existing credit card holding members will have to go out and broaden the party's base by bringing in new members.

Shirley Williams: a flying visit to Birmingham left the atmosphere heady with enthusiasm. Three months later, as the local group began to establish itself, the optimism remained undimmed.

FINANCIAL TIMES SURVEY

Wednesday July 8 1981

Austria BANKING, FINANCE AND INVESTMENT

Doubts among Austria's financial community about the economic outlook are compounded by immediate concern over interest rates, competition and industry's health. Its leaders face some difficult tasks.

Industrial losses add to problems

BY W. L. LUETKENS

AUSTRIA'S BANKING system, like the country's economy, is going through a difficult period of structural adjustment, vastly aggravated by cyclical problems and a few special situations.

Though the unemployment ratio this year is expected to average out at a mere 2.2 per cent, and though the inflation rate of 6 per cent (for Gross Domestic Product) looks good by international standards, a number of insolvencies have spilt over into the banking sector. Coming on top of a squeeze on interest spreads they have caused major hardships to the country's second largest commercial bank — Oesterreichische Laenderbank, and to a British-owned financial institution, Credex.

Laenderbank, having drawn down Sch 467m (about £14m or $27m) in open and internal reserves in its end-1980 accounts was still saddled with at least Sch 2bn which it could not recover from its own affiliate, Eumig, the maker of amateur cine equipment. Another Sch 1bn was lost in the insolvency of Oesterreichische Klimatechnik.

The state, which owns 60 per cent of the bank, has created a Sch 4bn guarantee facility, of which the bank expects to need Sch 3bn. to permit these debts to remain on the asset side, and expects Laenderbank to write off the amount over 25 years when it returns to profit. The new chief executive, Dr Frank Vranitzky, who was installed after the disaster, says he hopes to be able to begin the process when the results for 1981 are in.

It is clear to informed outside observers that the accounting device is not enough by itself; new equity will be required. Dr Vranitzky says he intends to raise the matter with the Finance Minister before next year's budget is finalised. The minister himself, Dr Herbert Salcher, has expressed his willingness to consider the matter but is in dire budgetary straits. Laenderbank, in addition will tighten credit management, giving greater attention to clients' prospects.

The appointment of Dr Vranitzky to Laenderbank completed a major shuffle at the head of the two big state-controlled commercial banks. The larger of the two, Creditanstalt-Bankverein, was given a new chairman at mid-year in the person of Dr Hannes Androsch, the former Finance Minister, who resigned after differences of opinion with the Chancellor, Dr Bruno Kreisky. He succeeds Dr Heinrich Treichl, who has retired.

Annoyance

The appointments have done away with the time-honoured principle that the two banks should be run by men of opposing political colour. Both the new men belong to the Socialist Party—much to the annoyance of the conservative "blacks."

The Laenderbank matter has set off a debate whether the recently enacted Bank Act should be revised. Suggestions include a tightening of capital ratios, which many institutions might find very hard, and a revision of the rules governing credits extended to any single debtor. The present system limits each borrower to 7½ per cent of the bank's total lending volume—amounts which Laenderbank had not by a long shot reached in the two cases. Herr Hans Haumer, head of Erste Oesterreichische, one of the country's 10 largest banks, has stated that the ruling as it is would enable some banks to lend to one customer amounts three times as large as their own capital (equity plus reserve plus debentures).

He and some others believe that the limit on lending to one borrower should be set as a proportion of the bank's capital rather than its credit volume. But the whole matter is still under discussion. Amendments to the Bank Act are likely but are still some months in the future.

A tightening of regulatory procedures is also in prospect, possibly in the form of a separate regulatory body with more staff than the handful that at present perform the task in the Finance Ministry. But no amount of regulation can replace prudent credit management or avert fraud among clients. The authorities certainly are not blameless in the Laenderbank affair. By law the state is represented on the supervisory boards of the more important credit institutions and cannot, therefore plead ignorance. Moreover, in a small country like Austria even more than elsewhere political pressures, for instance to save jobs, are not unknown.

Disasters apart, the Austrian banking scene is characterised by a struggle for market share between contending sectors of the industry which, chiefly, pits against each other the two big state-controlled commercial banks, Creditverein - Bankanstalt and Laenderbank on the one side and the two big thrift organisations on the other. The latter are the savings banks and the farmers' co-operatives. The struggle has torn apart the historic cartelisation of interest payable on savings deposits—the main form of primary deposit in the country.

Proliferation

The struggle has also led to a heavy proliferation of bank branches from about 3,800 in 1976 to 4,900 last year. That competition for market share, begun by the commercial banks which by tradition are bankers to industry rather than the small man, has added to costs in addition to driving up deposit interest. The expansion has now stabilised but another challenge is coming from the Post Office savings bank, operating from the post offices, and from outlets in the consumer co-operatives working for Bawag, the bank of the trade unions. Together they potentially add another 3,600 facilities to what is probably already an over-branched system.

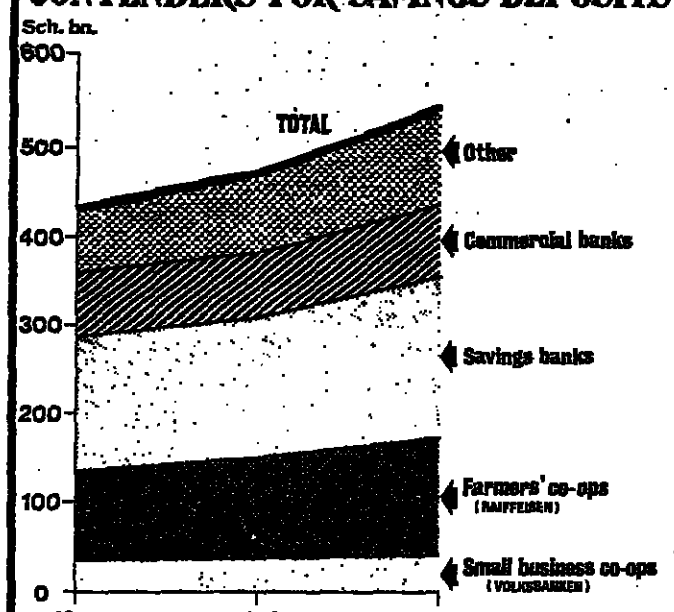
Official limits on opening new branches were dropped in 1977 as part of a policy designed to increase competition between both sectors and individual institutions That step was followed up by passing a Bank Act calculated to turn members of all sectors of the industry into universal banks licensed to carry on almost every form of banking activity. The process had already gone far before the Act was passed but some of the resultant strains are only becoming evident now.

There is some talk of "re-specialisation" though nobody seems to have any clear idea as to how the established trend ought to be arrested—or indeed whether that is possible. Some of the most obvious problems may arise in the savings bank sector whose umbrella bank, Girozentrale, is finding even medium-sized savings banks competing with it in foreign business. Since foreign business made an important contribution to last year's profits, counteracting the squeeze on the home market, that is a matter of some consequence.

Girozentrale, however, unlike most other big credit institutions, was able last year to hold its operating profit expressed as a share of total liabilities. It has also been spared a threat implicit in the new legislation—that the two biggest savings banks in the country, Erste Oesterreichische and Zentralsparkasse, both based in populous Vienna, could place their minimum reserves with the National Bank rather than with Girozentrale as at present. Three years' notice would be needed and neither institution has given it.

The collapse of the interest cartel came at an unfortunate time because it coincided with the general rise of interest rates —a trend that Austria had to follow to protect its external payments. But combined with the branch explosion it may have altered the entire conduct of Austrian savers.

CONTENDERS FOR SAVINGS DEPOSITS



Source: AUSTRIAN NATIONAL BANK

Ten years ago 60 per cent of all savings deposits was made at the lowest going rate for deposits withdrawable on minimum legal notice: now that share is down to 30 per cent. Moreover, competition for the savers' favour is so fierce that money in theory tied down for longer periods, up to three years, can be withdrawn on call with a very small loss of interest to the saver.

Since it has been official policy to encourage competition, and since the saver benefits, that is no disaster. But there have been excesses. The thrift organisations would like to return to the one-time interest cartel but are likely to be disappointed. The most they are likely to get is an agreement, backed perhaps by sanctions, to levy heavier penalties when deposits are withdrawn before they fall due.

Uncertainties about Government intentions have added to the problems. Last year the Government retroactively withdrew its subsidy to certain contractual savings schemes, costing the credit institutions a tidy sum. Then there has been a debate about the legal position of anonymous savings accounts which escape taxation. The practice is sanctioned by law, but Dr Kreisky, the Chancellor, in the interests of equity and in search of extra revenue, proposed levying a withholding tax on the interest paid on these accounts. It got as far as the Socialist Party programme which was adopted this year but Dr Kreisky was then persuaded to drop the matter—at least for the time being.

The background against which all this is taking place is an economy that has shown potential weaknesses, despite its so far almost exemplary performance. But the price paid was a heavy budget deficit which was allowed to develop when, in the mid-1970s, the then Finance Minister, Dr Hannes Androsch, got Austria through a recession by deficit spending. His successor, Dr Herbert Salcher, knows that the experiment cannot be repeated; the budget could not stand the strain.

The structural problems Austria has to contend with are sufficiently known. There is a relatively high concentration of declining industries, mostly state-owned, in the east of the country. The narrowness of the domestic market, combined with the sweeping away of tariff barriers against the EEC, have opened up the country to imports for much of its consumer durables, especially cars. As soon as private consumption rises — not that it is doing so at the moment — the current external account swings against Austria.

Small wonder that occasionally there are doubts how long one of Austria's greatest assets, the far-reaching social consensus, can survive. For the time being it looks safe enough. The trade unions, which once set themselves targets for wage increases equal to the inflation rate plus 3 per cent, have quietly dropped the 3 per cent in the interests of preserving jobs. But the consensus, to be effective, is bound to exert a strong pressure to preserve existing structures. It also holds the danger of political "back-seat driving" which some bankers in Vienna blame for the extent of the damage caused by more than one of the recent insolvencies.

CONTENTS

Defence of full employment remains cardinal aim

THE ECONOMY

W. L. LUETKENS

THE MAIN props of Austrian economic policy have been a stable exchange rate policy and an elaborate and confusing system of aids to industry, both direct and indirect, designed to encourage exports, improve structures and protect full employment.

Despite a current account deficit which has shown no signs of diminishing, the "hard Schilling" policy is likely to be maintained. Prof. Stefan Koren, president of the National Bank which manages the exchange rate, is devoted to it as a tool to contain inflation; and the new Finance Minister, Dr Herbert Salcher, says that he intends to stick to a "relatively" hard Schilling policy. The word "relative" in this context means that the exchange rate is to be maintained in relation to the D-Mark of West Germany, Austria's leading business partner, and to the Swiss franc.

For some time now it has been agreed in Vienna that the Schilling should cling to the D-Mark, but not slavishly. In practice there have even been times when the Schilling was allowed to appreciate against the D-Mark. But by and large it has not diverged far, and has followed the German currency on the way down against the dollar. Against the main *Continental currencies* it has remained stable as a quasi-member of the European Monetary System. This membership involves neither commitments nor agreements: it merely implies that Austria tries to keep in line.

Outflows

For the banking world that means that Austrian interest rates must be, if anything, slightly higher than those in West Germany in order to prevent capital outflows. Besides, the bankers have to arrange imports of long-term capital to fill the gap left by a current account deficit of Sch 21bn (about £636m or $1.3bn) in 1980 which is likely to fall marginally to Sch 19bn this year according to Wifo, the economic research institute in Vienna. (The figures allocate the net errors and omission in the officially published balance of payments to the current account, because they are thought to be largely trade and service-related.)

The extent of official intervention in the markets can be gauged by one figure: interest *on about 40 per cent of the total* outstanding credit volume of the Austrian banks and savings institutions is subsidised from the budget or semi-official sources. If you take out residential housing you are still left with a quota of some 30 per cent. That is coupled with a generous and very flexible system of writing off investment costs against corporate income tax.

That system has come under fire lately from the Socialist Party, which has run the country with an absolute parliamentary majority since 1971. Earlier this year it prepared an economic programme designed to move away from these forms of indirect investment incentives to direct state subsidy. The opposition denounced the proposals as "red" intervention in the market economy at the expense of entrepreneurial *independence and initiative.*

In the end the Socialists considerably toned down their proposals; as so often in Austria the peal of thunder proved more violent than the lightning itself. But the direction has been taken towards more direct financing of industry. The criteria are fair enough. Does the project further export prospects? Is it viable? Does it have a high Austrian added value, instead of merely amounting to the assembly of imported bits and pieces?

With the experience behind it of government money flowing not into enterprises with a future but into largely declining state-owned industry, such as special steels, the opposition complained bitterly. The Socialists are right to argue that Austria is not rich in venture capital, partly because that does not match established popular savings habits, but partly also because the tax system discriminates heavily against retained profits. Though some of the banks have founded venture capital companies, they are on a small scale and a merchant banking system proper does not really exist.

The opposition has worked on a plan to encourage, by tax concessions, the issue of company shares to employees. But in the nature of things that can be a small step only. Meanwhile the erosion of the capital basis of much of industry goes on; the number of insolvencies, some large enough to have attracted international attention, is rising.

The chief policy objective of the Government and of the Socialist Party is full employment—something in which it has been successful. For this year an unemployment ratio of only 2.2 per cent is forecast and the service sector is actually increasing the number of jobs, with the banks well to the fore.

Despite the current account deficits Austria is a successful (though not always profitable) *performer in world markets,* managing to increase its visible exports by 10 per cent last year to Sch 226bn. The volume increase, during what was a bad year in world markets, was 5 per cent. The smallness of the home market drives entrepreneurs into exports. They are supported by a well functioning export promotion system and a thorough system of export credit guarantees and interest subsidies.

As a matter of job creation and preservation and creation, the system has great merits. But it is not without its headaches. The chief of them is the large amount of credit that Austria has extended to the Comecon countries and especially to Poland. According to a study prepared by Wifo, Austria's share in the total net indebtedness of the Comecon states to the West was about 5 per cent at the end of 1980. That must make the Austrians the heaviest creditors on a per head basis. The total net debt to Austria at the end of 1980 was Sch 52bn, of which Sch 24bn stood on Polish account.

Secured

Well over half the debt was tied to Austrian deliveries of exports and hence secured by export credit guarantees, extended by the state through the Kontrollbank, an agency in Vienna owned by the major Austrian credit institutions. Its chief executive, Prof Helmut Haschek, is confident that the Polish problem can be solved provided no cross-default declared by another Polish creditor seriously upsets things. He is a proponent of what he calls the "umbrella theory," which means that, in dire straits, the other Comecon members will protect Poland's finances.

Prof Haschek is proud that his cash flow has hitherto been such that he has been able to pay the Sch 600m losses that have occurred in the Austrian export credit business, without having to call on the Finance Minister. Moreover, he says, none of these losses has occurred in Comecon. (Under the system the Kontrollbank does not have to meet losses accruing from exchange rate movements, which are financed from the Treasury.)

That is not a bad record. But the whole Austrian system has weak points which have been shown up by the world recession. Not only is Poland a problem; the payments deficit has so far been easily financed, but there must be a limit somewhere. A further reduction of the current deficit to Sch 16bn is forecast for 1982, but that is still a long way away from being satisfactory, especially in a year of stagnant domestic demand.

EXTERNAL PAYMENTS
(Sch bn)

	1979	1980	*1981	*1982
Visibles	−60.4	−67.5	−64.7	−67.7
Current account†	−17.7	−20.9	−18.5	−16.4
Capital account	+ 0.7	+42.6	—	—

* Forecast. † Includes errors and omissions of the official payments figures which are thought to relate to current account. Source: Wifo.

Relief from pressures sought abroad

THE BANKS

W. L. LUETKENS

A PROFIT squeeze has been tightening on the Austrian banks, with both market forces and political considerations exerting the pressures. The *operating return on total assets* of almost all the major institutions declined steeply last year and no immediate relief is in sight.

In addition the rising trend of interest rates has called for corrections to the book value of securities in bank portfolios—not to mention the losses that have accrued from bad debts. A number of spectacular bankruptcies have left their marks on balance-sheets, both in the loan portfolio and in the banks' own industrial holdings. (The latter are dealt with in another article of this survey. The best known case is that of Oesterreichische Laenderbank, a credit institution under majority ownership of the state, which was stuck with the financial troubles of its wholly-owned affiliate Eumig a camera producer, and the bankruptcy of the engineering group Oesterreichische Klimatechnik).

Given the difficulties at home, the banks have increasingly turned to foreign markets to improve their results. Branches and representative offices have *sprung up in London and else*where. The country's biggest credit institution, Creditanstalt, reported that net interest income from foreign exchange transactions increased by 27 per cent last year; Girozentrale, the umbrella institution of the large savings bank sector, increased the share of foreign business in its balance sheet from 27 per cent in 1979 to 30 per cent last year.

In a number of cases income from foreign operations kept in profit banks that would otherwise have had difficulties showing a profit last year. The trend into foreign markets is not new. As its counterpart it has seen foreign banks setting up affiliates in Vienna, with or without Austrian partners. Vienna at one time had hopes of becoming an international financial centre of note.

That hope has been only very *partially fulfilled. The city is* important as a staging post in East-West trade for both historic and geographical reasons. Those banks from abroad that specialised in financing that kind of business have often done well. But the narrowness of the Austrian capital and money markets makes it hard for them to refinance themselves locally. The tightly meshed network of branches which the Austrian banks have set up more or less deprives foreigners of access to primary deposits available at lower rates of interest.

Nor has Austrian law been a help. Foreign lending, except at the short end or to finance exports, is subject to tight controls, making Vienna very different from the climate to be found in places such as London, Luxembourg or Zurich.

As one result of the difficulties "Conill," the Viennese venture of America's Continental Illinois, with a balance sheet total of Sch 3.2bn (about £100,000 or $200,000) has decided to shut up shop at the end of 1981.

Worrying

A rather more worrying fate has befallen Credex an indirect affiliate of Britain's Midland Bank with another indirect minority stake held by another British institution, Finance for Industry. Credex stands to lose Sch 700m in assets as a result of the bankruptcy of Oesterreichische Klimatechnik Gesellschaft (OKG), equal to 58 per cent of Credex's total assets and a multiple of its equity. The amount is of course split among several importers.

It is understood that these monies are not all covered by effective export credit guarantees, but the Austrian authorities clearly feel that in interests of their own good name they cannot let the matter rest there. State-owned companies were among the partners in OKG and, moreover, Austria's standing as a borrower could be hurt if nothing were done.

The Midland, *too,* must consider its own good name. An understanding was reached to share the damage equitably. Legislation was drafted which will in effect enable the state to re-imburse Credex over a period of 15 years for a portion of the loss, though without paying interest. How the Midland and the Austrian authorities will share the damage is not evident from the bill, though it is a good guess that each party in the end will bear half of the loss.

Competition among Austrian banks on their own home market has been largely characterised—and intensified—by a new Bank Act and the collapse last year of the time-honoured cartelisation of interest payable on savings deposits, the standard form of primary deposit. Market forces have played their part and it can be argued that the partial deregulation might have been better timed if it had not coincided with the world-wide rise in interest rates.

The background to the story is that traditionally the country's credit institutions have been separated into sectors each with its own characteristics: commercial banks for industry and large depositors; savings banks for the small man and as the financiers of local authorities and of residential buildings; and a network of co-operative banks both for the farmers and for small business.

In practice these distinctions have been fading away for years and the new Bank Act with few exceptions opens all kinds of business to everyone. The commercial banks have for years been extending their branch network to gain access to primary deposits; the bigger savings and co-operative banks have advanced into full commercial lending.

Competition for savings has steeply driven up rates obtained by depositors and the existence of one bank branch per 1,500 inhabitants has added to costs. Attempts are being made to arrive at a new interest cartel but the commercial banks are stoutly resisting them. A position has been reached where money theoretically tied down for three years at 8½ per cent is repayable almost on demand with an almost negligible loss of interest. An attempt to stop this practice has so far proved abortive.

On the other side of the coin demand for credit is slow; residential construction is stagnant, private consumption likewise. Demand from industry is holding up but pressures are unlikely to be reduced until interest rates turn down world wide.

THE BIG TEN INSTITUTIONS
(Total assets Sch bn)

Creditanstalt-Bankverein*	204
Girozentrale†	158
Oesterr. Laenderbank*	118
Zentralsparkasse‡	106
Kontrollbank§	101
P.O. Savings Bank	84
Genossenschaftliche Zentralbank¶	84
Bawag‖	74
Erste Oesterr. Spar-Casse‡	72
Volksbank AG**	32

* Commercial bank. † Umbrella institution of the savings banks. ‡ Savings bank. § Specialised institution. ¶ Umbrella institution of farmers' co-operatives. ‖ Controlled by trade unions. ** Umbrella organisation of small business co-operatives.

THE BRANCHING EXPLOSION
(Banking outlets by sector)

	1976	1979	1980
Commercial banks	487	692	730
Savings banks	723	1,087	1,144
Farmers' co-ops.	1,984	2,346	2,381
Small business co-ops.	392	491	509
Others	247	154	156
Totals	3,754	4,770	4,920

Government clings to incentives despite growing criticism

FOREIGN INVESTORS

PAUL LENDVAI

Vienna Correspondent

AUSTRIA REMAINS a country of baffling contrasts. It was, for example, something of a surprise that a Socialist Government could embark upon an *open door policy towards* foreign investments in general and towards one of the world's largest concerns, General Motors (GM) in particular. Yet at the same time the business community was attacking GM's involvement in Austria.

But even beyond the controversial GM project, involving the erection *of a large engine* plant at Aspern, near Vienna, Chancellor Kreisky's Socialist Government has consistently offered investment incentives to foreign investors. The *top man*agement of GM has repeatedly visited Vienna and after talks with the Chancellor and Mayor Gratz expressed gratitude for the excellent co-operation.

The recent series of major deals with German and Japanese concerns, as well as GM's project, marks a public relations success for a country which shares two borders with Warsaw Pact states and a third with Communist but non-aligned Yugoslavia. The commitments of foreign investors reflect "the excellent labour relations climate" and "the high degree *of social, economic and political* stability" stressed by GM as arguments in favour of opting for Austria. They are also a tangible and visible expression of confidence in the future of neutral Austria on the dividing line between the two European military blocs.

The GM project involves the erection in two stages of a plant which by 1982 should be turning out 270,000 engines and 385,00 gearboxes a year, mainly for export. The plant is scheduled to have a labour force of 3,000.

At a time when regions and municipalities are fighting over relatively small subsidies, and money for small and medium-sized enterprises is becoming scarcer, the *Government's* commitment and that of the Vienna Municipality to shoulder a third of the entire Sch 7.8bn (£235m) investment has been widely criticised. In addition to this investment grant of Sch 2.6bn, costs of infrastructure investment, estimated to be well over Sch 700m mut be added.

Rejected

The Government and Vienna Municipality have rejected complaints about alleged discrimination against domestic investors. They say the GM project will be a major source of employment, providing almost 10,000 jobs and become the core of a new industrial zone. At any rate some provincial governments, such as Carinthia, are still seeking to attract other GM subsidiaries.

Another *major* and less controversial project is the diesel engine plant built jointly by the German motor company, *BMW, and Austria's motor* concern, Steyr-Daimler-Puch, near the picturesque Upper Austrian city of Steyr. At an investment cost of Sch 6.5bn, the plant *should go on stream in 1983.* Through a recent deal with Ford, the company will double its projected capacity to 200,000 engines yearly. Annual turnover is expected to reach Sch 6bn, with exports accounting for 95 per cent of total sales.

*What has disappointed in*vestors in this case is that the state, the region and the municipality provide only 15 per cent of the investment costs for the *first phase (Sch 3.5bn), and in* the second phase the provincial government of Upper Austria refuses to grant any subsidies.

Upper Austria committed Sch 114m in grants for the first phase, but now refers to the tight labour market and the financial strains for rejecting requests for a further Sch 100m grant. At the same time the plant will increase its labour force from 1,000 to 1,500 in view of the enlarged capacity.

The controversies about the Steyr-BMW plant reflect the general deterioration of the financial climate in Austria. Investment grants are scrutinised more closely and the insolvency

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Dr Herbert Salcher, Minister of Finance

Professor Hans Seidel, Ministry Secretary of State

New team reveals marked differences in style

FINANCE MINISTRY

PAUL LENDVAI

THE TEAM which took over the Finance Ministry from Dr Hannes Androsch in January is in more than one sense an unusual combination of people with startlingly different backgrounds and talents. Dr Herbert Salcher, 51, is a Catholic Social Democrat from the Tyrol, while his Secretary of State, Professor Hans Seidel, is a 56-year-old liberal non-party professional economist with a Viennese and international background. They were both chosen by Chancellor Dr Bruno Kreisky personally as men of integrity and ability. The change-over has already brought a profound difference in style.

During his nearly eleven years in office Dr Androsch built the Treasury into a formidable citadel of personal and political power. He was Vice-Chancellor and one of Dr Kreisky's deputies in the ruling Socialist Party's praesidium as well as a close friend of the trade union chief, Herr Anton Benya.

Dr Androsch failed—at any rate for the foreseeable future—in his bid for the top position. He appeared to be too clever by half and too successful in his far-flung, much-publicised business and political activities.

It would be difficult to imagine a greater personal contrast than that provided by his successor. The first adjectives everyone, including his political opponents, use to characterise Dr Salcher are "integrity" and "honesty."

Regional

In a federally structured country, regional origin is important—he has spent his entire career in the Tyrol. He graduated in law at the University of Innsbruck and worked as deputy director of the Tyrol's national health organisation. A lifelong Socialist Dr Salcher was elected chairman of the Socialist Party organisation in the province in 1969 and a year later became deputy governor of the Tyrol.

As a practising Catholic and a representative of the younger generation, he achieved some initial successes at local elections but failed to make any real inroads into the domination of the conservative People's Party, which by 1979 had regained its two-thirds majority in Tyrol. Since 1970 Dr Salcher has belonged to the top echelons of the Austrian Socialist Party. In November 1979 Chancellor Kreisky made him Minister of Health and Environment.

Dr Salcher, who described himself at the height of the power battle in the Socialist Party as "a Kreisky-man from the first hour," is also a key figure in the efforts to maintain a constructive dialogue between social democracy and the Catholic Church. After five months in a post so long occupied by Chancellor Kreisky's most brilliant but also most controversial Minister, Dr Salcher has learned the hard way how quickly an ill-considered word or an ambiguous phrase can be seized on by the Press and the opposition spokesmen. He resents the fact that the newspapers have presented him as a kind of well-meaning but naive outsider in the small world of Austrian finance.

"I have always been a man of principle and I am not willing to change either my principles or my personal style because of being Finance Minister," Dr Salcher replied somewhat bitterly when asked about his recent remarks concerning Austrian arms exports. In an interview Dr Salcher spoke out in favour of radical disarmament and urged Catholics in the Socialist Party to fight for their views with more force. Yet at the same time he is, as Finance Minister, the main shareholder of the Creditanstalt Bankverein, which in turn controls Steyr-Daimler-Puch, the producer of the highly successful light tanks, of which Austria has just sold 57 to Argentina. This latest episode endeared him to the pacifists but has not enhanced his reputation among the bankers.

Yet Dr Salcher himself points to the virtual sacking of the chief executive of the second largest nationalised bank as proof that he is going to take the task of supervising the banks very seriously. In a country with a mixed economy, including a large nationalised sector, and with the Treasury controlling not only the state-owned banks but indirectly also their industrial holdings as well as a host of other companies, Dr Salcher is faced with formidable problems. He has inherited from his successor a record budget deficit and instead of cutting it he had to announce a small income tax reduction as of next year. Under pressure from the unions and the opposition he had no other alternative.

In the final analysis Dr Salcher's success depends on three main factors: the continued personal backing of Chancellor Kreisky; close co-operation with the Socialist-dominated trade union federation; last, but not least a satisfactory relationship with the new directors-general of the two nationalised banks, Creditanstalt and Laenderbank. As the first is now managed by his predecessor, former Vice-Chancellor Dr Androsch, and the second by Dr Franz Vranitsky, who in turn was one of the closest advisers to Dr Androsch, any newcomer would find it difficult to assert himself.

Complete

The picture would not be complete without a word about the current president of the central bank, Professor Stephan Koren. He was himself Finance Minister in a previous conservative Government and subsequently chief of the parliamentary group of the main opposition People's Party. Nevertheless Chancellor Kreisky appointed him as head of the central bank.

Thus Dr Salcher has to live under the shadow of two still powerful predecessors. But he is not alone in trying to tackle an extremely complex financial and monetary situation. His Secretary of State, Professor Hans Seidel, is an assistant with formidable qualifications. A graduate of the Vienna University for Economics, he has been associated with the highly respected Wifo Institute for Economic Research for 35 years—since 1973 as its director.

In this latter capacity Professor Seidel, a brilliant and introverted technocrat, has been on-and-off adviser to all Finance Ministers of the second Austrian Republic. Described by the press as a "conservative liberal with a super brain," Professor Seidel is clearly of invaluable help to his Minister on macro-economic issues.

He has had to learn very quickly, however, that he is going to be treated much more roughly by the economic journalists who used to reproduce his forecasts of future developments. In the course of a television round table discussion with some of them Professor Seidel spoke out in favour of reviewing the regulations under which the 13th and 14th monthly salary instalments (every Austrian receives at least 14 monthly salaries) are subjected to a preferential rate of taxation. He stirred up a hornet's nest, provoking a flood of statements by surprised Socialist leaders and jubilant opposition speakers.

The Salcher-Seidel team also suffered loss of face when for the first time in many years a federal Sch 1bn loan issue, already announced, had to be cancelled at the last minute through lack of co-operation from the banks. In a status-conscious country such blunders are not forgotten quickly.

This is the reason why in the final analysis the career of Dr Salcher as Finance Minister will in no small degree be influenced by his standing with the public in general and by his working relationship with the press in particular. He has lost precious time in forging closer ties, both domestic and foreign, with the press and with top economic experts. At the same time he achieved one of the best results in terms of votes when at the last Socialist Party congress the delegates chose the members of the party executive.

With 87 per cent of budgetary expenditures bound by legal commitments, the scope for major innovations is rather limited. Nevertheless his first draft budget for 1982, to be presented next autumn, should provide some clues as to his performance in inter-departmental bargaining and also to his economic and social priorities.

Conflicts of interest give rise to controversy

BANKS AND INDUSTRY

PAUL LENDVAI

THE CURRENT problems involved in the contradictory relationship of the Austrian nationalised banks to their extensive industrial holdings go back in fact to the decade between 1926 and 1934. It was in those difficult years that the Creditanstalt, through the take-over of the Anglo-Austrian Bank, the merger with the Boden - Credit - Anstalt and acquisition of the Wiener Bankverein, also gained control of important enterprises in the heavy electrical, brewery, paper, food and rubber industries.

The later nationalisation of the Creditanstalt and the Oesterreichische Laenderbank in 1946—not by a Socialist majority but by the unanimous vote of a Parliament with a conservative majority and under a conservative-Socialist coalition government — automatically extended state influence to crucial segments of the country's industry.

It is important to remember, however, that nationalisation in the immediate post-war period was not prompted by ideological considerations. It was an act of self-defence under the conditions of the Four-Power occupation, with the Soviet Union trying to seize the "commanding heights" of the economy through the device of taking over so-called former German property.

It should also be recalled that there is a large nationalised sector, again the result of a parliamentary decision in 1946, which is controlled by the state holding company Oeiag. As an employer it accounts for almost a fifth of the industrial labour force. The entire steel and fuel sectors as well as large parts of the metallurgical, heavy engineering, chemical, electronic and mining industries are state-owned. This is the background to the extremely strong industrial links of the large banks. The directors-general of the Creditanstalt and the Laenderbank are appointed (or re-appointed) *de facto* by the party in power.

The appointment of the former Finance Minister Dr Hannes Androsch as director general and chairman of the board of the Creditanstalt marked a symbolic break with the tradition that Laenderbank was "red."—ie, managed by a socialist chief executive—and the Creditanstalt "black"—the top man was a conservative. Yet the People's Party's current leadership has not really grasped the great and long-term political significance of the Androsch appointment.

The fact that both nationalised banks are now run by members of the Socialist Party automatically means that the industrial empires of the two banks are also subjected at the very least to a much higher degree of Socialist influence. It is not a question of the personalities involved but of the dynamics of political power battles. Any shift in the operations, control and character of the industrial holdings of the two banks would have significant consequences for the position of the business community in a small country like Austria.

Unacceptable

Everybody recognises the potential conflicts of interest in the same institution being both shareholder and lender, not only granting credit and advising on shares but also helping to steer the policy of companies to which it has lent funds and about which potential investors may ask for advice. As Austria has few truly large companies and as the takeover of key branches by foreign capital would be unacceptable, there is no viable alternative to the present system.

The relationship between the Treasury and the large nationalised banks on the one hand and the control of the banks over their industrial holdings on the other was an issue repeatedly raised during the long-drawn-out factional battle in the Socialist Party over the political future of Dr Androsch. No clear solution is in sight and the final decisions—as indeed does the future shape of the industrial holdings—also depend on the personalities involved.

Ironically, the largest bankruptcies and insolvencies of industrial companies — which last year plunged Laenderbank into the severest crisis of its 100-year-old history—have had nothing to do with the long-established industrial links. Neither the Klimatechnik engineering group nor Eumig, the camera producer, was originally owned by the Laenderbank. Yet a combination of poor management and political meddling has forced the Government to rush through Parliament a rescue package so far involving with regard to the Laenderbank alone Government guarantees to the tune of Sch 3bn. The companies long-controlled by the Laenderbank, including Wagner-Biro and Voith (Engineering), Perlmoser (cement), Lenzing (man-made fibres) and several construction outfits, with a combined staff of 18,400 and an aggregate turnover of Sch 16bn last year, appear to be in good shape.

It is the Creditanstalt, however, which ranks as the real power behind the industrial scene. It is enough to glance at some relevant figures to grasp the real significance of the bank's industrial empire.

Its industrial holdings had a total turnover last year of Sch 46.5bn. The group accounted for 11.2 per cent of aggregate Austrian exports and 8.5 per cent of total investments — and with 53,685 employees for 8.7 per cent of the total industrial labour force. If one adds the trading companies, hotels and stores, the total workforce within the group amounts to 60,000. During the past ten years, during which the bank was under the direction of Dr Heinrich Treichl, the share of exports jumped to 54 per cent of the industrial turnover.

The industrial holdings include Steyr-Daimler-Puch, the motor company, Semperit, the rubber concern, as well as large building, metal, glass, chemical and paper companies. The black page in the recent history of the bank's industrial holdings was the unsuccessful attempt to save the Voeslauer textile group, which cost the Creditanstalt alone Sch 244m. Its involvement was primarily due to the combined pressure of the Government and the then chairman of the Federation of Austrian Industries, whose family bank has also been directly affected by the — in the final analysis — unavoidable insolvency of the textile group.

Replaced

Through provision of funds, partly through write-offs and partly through investment credits, the bank contributed Sch 9.7bn during 1970-80 to the financing of investments. During the same period 80 per cent of the 59 executive directors in charge of the industrial enterprises have been replaced. Selection of management control of investments and of their financing have been closely monitored by Dr Treichl himself and two other board members supported by a small but highly qualified department in charge of the holdings. During the ten years the share of loans extended to the holdings rose slightly from 11.8 per cent to 13.3 per cent of the grand total of credits to non-banks extended by the Creditanstalt.

Though the overall balance sheet presented by the outgoing director-general of the Creditanstalt about the performance of the industrial holdings during the past decade is positive, future difficulties cannot be excluded. The example of the Laenderbank's losses as a result of some controversial projects shows the financial risks involved in the strong links with industry. The change of commander at Austria's two nationalised banks takes place at a crucial juncture. The reappraisal of a tax policy discriminating against risk capital and of the elaborate system of direct and indirect subsidies, coupled with the need for a redeployment of capacities and labour, are likely to be more urgent priorities than new blueprints for an institutional reorganisation of the holdings.

Government incentives

CONTINUED FROM PREVIOUS PAGE

of some major firms is an ever-present warning to bank directors.

The need for extensive and radical changes in investment promotion schemes is generally recognised. Various surveys agree that direct subsidies should be concentrated in product development, which would replace goods now mostly imported and which could hold their own in the face of foreign competition. Higher quality and new products should be in the foreground and the allotment of funds should be geared to the effect of the venture on the improvement of the balance of payments or on winning market share.

There are varying estimates of the foreign stake in the Austrian economy but roughly speaking about a third of industry is under foreign control, with another third nationalised and the rest in family ownership. According to some estimates about half of commercial and two-thirds of insurance business is controlled by foreign capital.

Most union officials welcome foreign investors as a source of badly needed new jobs and of technological know-how. However, officials of the Chamber of Labour point out that Austria has lost out through the repatriation of profits by the parent companies.

Another complaint is that research and development, and the manufacturing of high quality products, have been retained in the countries of origin while the subsidiaries in Austria have been turning out relatively simple manufactures. Nevertheless, even critics recognise that the import of modern technology and marketing methods has had an appreciable impact on the Austrian economy.

It would be unwise to make general statements about the ability of Austrian companies and banks to cope with difficult foreign partners. In view of the large industrial holdings of the nationalised banks outside factors, such as the opposition of shop stewards to a merger with a foreign company, can frustrate ambitious and costly plans. Dealing with military dictatorships can also cause unpleasant surprises when democracy is restored and the business partners of the generals are not regarded as welcome partners by the new government.

It can also happen that in their eagerness to attract foreign investors and to provide jobs in a depressed area, local authorities and their financial advisers are too magnanimous in providing massive subsidies. These and similar experiences are likely, however, to become less frequent in the present atmosphere of caution and slight pessimism.

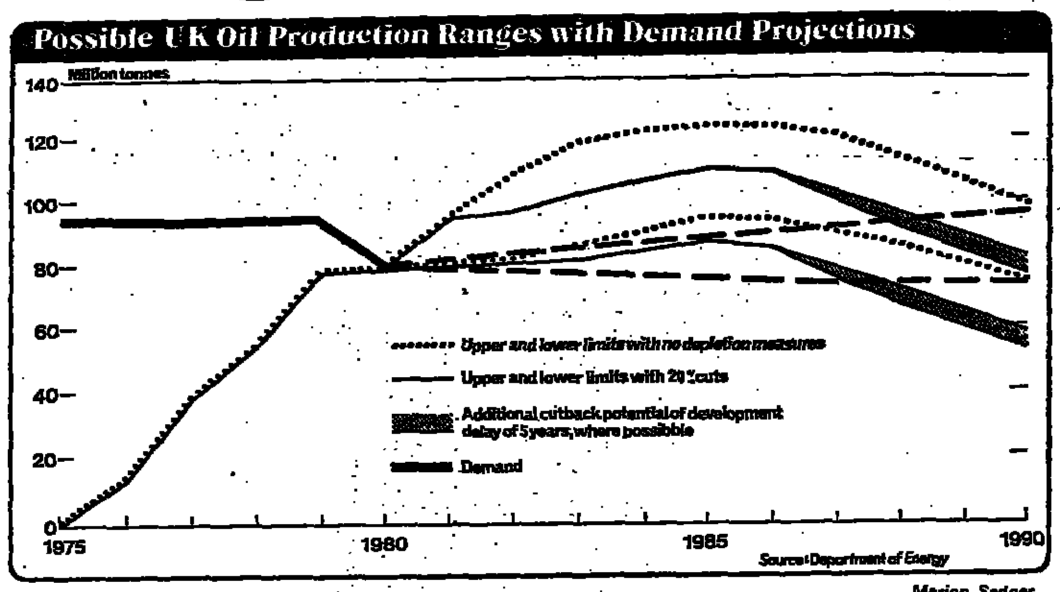
Another factor influencing attitudes towards both domestic and foreign investors is Austria's biggest postwar scandal centred around the erection of Europe's largest hospital complex in Vienna. The lurid revelations about kick-backs and illegal transfers to foreign accounts have contributed to tighter control regulations and to a more critical attitude towards foreign investors.

But regardless of the recent changes in the general financial climate, Austrians overwhelmingly like and indeed continue to feel no resentment towards foreign businessmen. The assessment of a respected Austrian analyst of foreign investments remains valid: "There is hardly another country in Europe where such a de facto friendly attitude towards foreign capital prevails as in Austria."

Energy Review: North Sea tax consultations

By Ray Dafter, Energy Editor

Leading oil companies present a ragged front



Marion Sedger

AS THE representative body of the leading North Sea oil companies, the UK Offshore Operators' Association (UKOOA) has again found *itself caught in a familiar trap*, torn between the widely differing interests of its members.

During the next couple of months the association will be putting the *finishing touches to* an alternative tax structure for the North Sea. It has been asked for these proposals by the Government which is aware that oil companies are unhappy about the present cumbersome tax arrangements and the frequency of changes in the past few years.

Judging by the recent contortions of tax experts engaged in this UKOOA process the Government will be presented with no more than a general framework, devoid of detailed tax rate suggestions. For the association has encountered a perennial problem: any specific proposal would be bound to upset at least one section of the membership.

The association is made up of British and overseas companies—both private and state-owned, large and small. The companies have interests in mature fields paying the top *rate of tax* (like British Petroleum's Forties Field) in fields just about reaching peak production (like Occidental's Claymore Field), and in fields still *in the development stage*.

To further complicate the *issue many* of the more prominent members of UKOOA—BP, Shell, Esso and Texaco, for instance — have substantial interests in UK refineries and, *in some cases, chemical plants*. BP, for one, has complained that it is expected to pay high taxes on its North Sea operations while sustaining losses downstream. No doubt it would welcome a relaxation of the "ring fence" system which isolates offshore profits from tax *considerations* in the rest of the UK.

Each company has its own particular tax problems so detailed and blanket proposals could never have been devised with the unanimous approval of UKOOA. In contrast the smaller, less-influential Association of British Independent Exploration Companies *(Brindex) was able to submit* its tax recommendations early this year.

Brindex suggested a system based on the Corporation Tax concept. It said *it wanted to see* a tax structure which would be adjusted automatically to take account of such variables as oil price movements and inflation rates. And it urged the Government to ensure that a future *fiscal regime protected* the economic viability of small, economically-marginal fields and encouraged the maximum exploitation of mature fields.

The independent companies are currently taking a second look *at the* tax position to see if they can improve on their previous submission. "Our objectives are simple," said a leading Brindex member. "We are looking *for* the highest oil price with the lowest possible tax rate. The trouble with UKOOA is that it has too many bloody-minded oil majors.

The Government has been fully aware of UKOOA's problems, of course. Mr David Howell, Energy Secretary, said last week that the industry has been offered a "genuine opportunity for consultation" which, he hoped, would be used "*sensibly and constructively*."

What the Government is likely to receive *in the autumn* is a series of company presentations—reflecting particular tax preferences—and the general suggested guidelines of UKOOA.

Common to these submissions is almost certain to be a plea *for the ending of the Supple*mentary Petroleum Duty which was introduced in the March Budget as a means of creaming off an extra £1bn in North Sea revenues during the 1981-82 financial year.

The Duty is to remain operable until June 30 next year by when the Government hopes to have formulated long-term tax measures. Again there was a warning last week from Mr Howell: "Introducing the SPD *for 18 months only does not* mean we expect it to lapse without replacement."

In itself the Duty is a simple and effective taxation instrument. It is imposed at a rate of 20 per cent of oil and gas revenues, minus an allowance equal to the value of 1m tonnes a year (20,000 b/d) of production.

But it was introduced on top of an already multi-tiered *structure which included* Government royalties, Corporation Tax and Petroleum Revenue Tax. The effect of the Budget change was to raise the marginal rates of tax. A company paying the basic rates of *PRT at 70 per cent could find* itself handing to the Inland Revenue £90.30 out of each £100 earned as against £87.40 before March.

In an analysis* of the present fiscal system published today Alexander Kemp and David Rose of Aberdeen University's *Department of Political Economy* demonstrate how the Supplementary Petroleum Duty has hit the profitability of offshore fields, in particular new fields which are not yet subject to Petroleum Revenue Tax pay*ments. Looking at the tax* system as a whole the authors warn that if oil prices fail to rise faster than inflation fields may be prematurely abandoned.

Kemp and Rose conclude that their analysis indicates quite clearly that the 1981 fiscal package is going to have a substantial impact on North Sea operations.

The authors point out that the recent tax changes have already caused the postponement of two potential field development projects: Occidental announced in March, shortly after the Budget, that it was holding back the £250m exploitation of its North Clay*more* field and a little later British National Oil Corporation said it would not proceed with the development of its "Area Six" discovery close to the Thistle Field in block 211/18a.

The acid test of whether or not the present level of taxation is too onerous will come when a company considers the development of a small, "marginal" field.

The operators of at least one reservoir are now doing their sums and looking closely at the production potential. The Energy Department is also taking a close interest in the prospect which could be *exploited with a semi-submer*sible platform. The signs for development are encouraging, partly because the maximum production from this unnamed field is *unlikely to rise much* above 20,000 b/d—outside the scope of the Supplementary Petroleum Duty.

Even if the Government scraps the unpopular Duty it will want to maintain the over*all* level of taxation. As it is North Sea revenue is running at a lower level than expected a few years ago.

According to latest Treasury estimates, North Sea tax revenues should rise to £5.25bn *in 1983-84. In spring last year* the income was expected to reach £5.5bn by 1982-83.

The reasons for the reduced level of income revolve around the oil industry's ability to offset development costs against tax *and the slower-than-forecast* build-up in offshore production rates.

This will colour another facet of Government offshore policy now exercising the minds of the *Energy* Department, the *Treasury, the Foreing Office*, and the industry . . . the likely shape of future depletion measures.

So far, Mr Howell has given little away. He has merely *said* that he would adopt a flexible approach to depletion and that future production considerations would be taken on a case-by-case basis. His main aim is to prolong North Sea oil production at a high level—close to self-sufficiency—for as long as possible.

The latest Energy Department forecasts (see graph) would seem to indicate that there will be scope for some reduction *in* production *levels* from next year. As it stands production could rise as high as 125m tonnes a year between 1984 and 1986 while UK demand *is not expected to reach much* more than about 75m to 90m tonnes annually in the mid-1980s.

Mr Howell said last week that account would be taken of the domestic demand and supply balance, the outlook for the international oil scene, and the "wider macroeconomic implications."

Under depletion guidelines laid down by previous Governments, Mr Howell can begin reducing production from individual fields by up to 20 per cent starting in January. Before *he is allowed to take such action* the Cabinet will want to assess the Exchequer's requirements for oil revenues. Ministers will also have to assess the impact *of depletion cuts on sterling* exchange rates. One school of thought argues that sterling will weaken; others put forward the theory that sterling's strength *is tied more to the presence of* oil than the production rate.

Government and industry alike will also have to make the judgment whether it is financially prudent to leave some of the producible oil in the ground. That decision will be influenced by views on future inflation, interest rates and oil prices. The Energy Department's base case assumptions *suggest that oil prices will* double in real terms between 1980 and the turn of the century.

The Offshore Operators' Association has managed *to* present a unified approach to the depletion question. It has told the Government it is against any cut-backs and would *prefer, instead, greater incentives* for exploration and development.

Whether the companies get their way over depletion and — when they can make up their minds — over taxation policies *should become clear in the first* quarter of next year.

** "The 1981 UK North Sea Fiscal System," by Alexander G. Kemp and David Rose; University of Aberdeen's Department of Political Economy; £5.50.*

MANAGEMENT

EDITED BY CHRISTOPHER LORENZ

BUSINESS PROBLEMS

BY OUR LEGAL STAFF

Cheque safety

YOUR reply (Business Problems May 27) re cheque safety gives rise to the following points:

1—(a) What if a cheque payable to Mr A. Jones and crossed "not negotiable" falls into a thief's hands who, by supplying fake references, opens a bank account in the name of A. Jones to which he deposits the stolen cheque. Against whom does the drawer have the best claim?

(b) What if the thief's name is also A. Jones and he deposits the stolen cheque in his own account?

2—When is a debt discharged? When the payee receives the cheque, or when the cheque is deposited to the payee's bank account?

3—Why is the endorsement "not negotiable" preferable to "account payee only"? Surely the latter precludes any endorsement whatsoever, whereas the former merely restricts the degree of title anyone may have to the cheque to that possessed by previous persons.

4—Could a method, such as I believe is sometimes employed in the U.S., be employed by making a cheque payable to A. Jones account number 12345678 X Bank, Surbiton only and deleting "or order"?

1—(a) As the cheque will have been collected through a third party's fraud, the drawer may require the bank to replace funds debited to him on the collection of the cheque.

(b) If the same position obtains here, if it can be shown that the wrong A. Jones stole the cheque (ie knew that it was drawn in favour of a different A. Jones).

2—The debt is discharged when the creditor's account is credited with the moneys on collection of the cheque.

3—We do not see the crossing (not endorsement) "not negotiable" as preferable. An endorsement or crossing for a specified person and/or for a specified account is safer.

4—The formula you suggest would be acceptable, although not the deletion of "or order," as that would make the cheque not transferable and would not be acceptable to the London Clearing Banks.

No legal responsibility can be accepted by the Financial Times for the answers given in these columns. All inquiries will be answered by post as soon as possible.

Why Fokker thinks it can fly among the giants

Charles Batchelor on the Dutch aircraft maker's decision to compete with Boeing and Airbus

FOKKER, the Dutch aircraft maker, had almost flown into the ground when Frans Swarttouw joined the managing board three years ago. Then approaching its 60th anniversary, the company with a glorious past in civil and military aircraft maunfacturing had a troubled present and very little future.

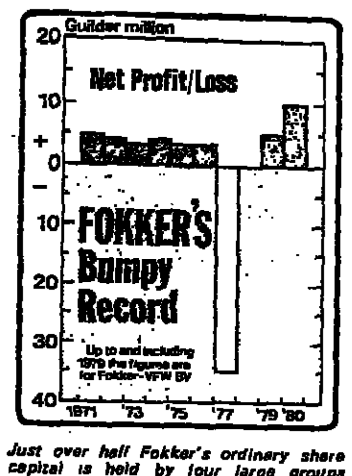
In a little under three years, Swarttouw, now president, has cut a swathe through the old management and transformed morale within the company. In so doing he has established a personal reputation as one of the Netherlands' brightest and toughest managers.

"I like to think of myself as determined rather than tough," says Swarttouw who, at 48, is starting out on the third stage of a successful business career. "Before, Fokker used to talk about everything but its central problems. It looked at diversification, at missiles, at anything. It lacked a sense of direction."

Swarttouw has brought the company back to what it does best—making civil airliners. Sales of the 20-year-old F-27 turbo-prop are booming; even the less successful F-28 is picking up while preliminary agreement has been reached with McDonnell Douglas jointly to develop a new 150-seat jet, codenamed the MDF-100. Fokker manufactures parts on a small scale for the Airbus and—now as little more than a sideline—is also assembling the General Dynamics designed F-16 fighter.

"Our credibility is spiralling up," says Swarttouw. "Success breeds success in the aircraft business. We have not been unlucky in the market but our success is largely due to hard work. Two years ago we had 12 months' unsold production on the floor. Now we cannot make all the aircraft we can sell."

This recovery certainly owes something to the recent easing of control of small U.S. commuter airlines. But all the same, it is no mean achievement



Just over half Fokker's ordinary share capital is held by four large groups of shareholders: the U.S. Northrop Corporation with 20 per cent; a number of Belgian banks with 13 per cent; several Dutch banks, including Algemene Bank Nederland, with 10 per cent; and the Bergerhaut family with another 10 per cent. There is no direct government stake in its equity.

for a company which less than two years ago was still trapped in an apparently downward spiral and an unsuccessful marriage with the West German aircraft group, Vereinigte Flugtechnische Werke of Bremen. At the prompting of the West German government, which was keen to create a national aerospace industry, the two companies split up 16 months ago.

Compared with the giants of the aircraft industry—Boeing, Lockheed, McDonnell Douglas and Airbus—Fokker is small fry. It sold 47 aircraft last year, achieved turnover of Fl 1.1bn ($462m) and employed 8,500 people.

Against such competition, and in a country of only 14m people with a minute home market, Fokker has remained one of the handful of aircraft companies in the Western world capable of designing, making and selling civil airliners. Until recently even its home market was effectively closed since KLM, the Dutch national airline, had a tradition of buying American.

Yet Fokker has been able to find itself a niche in the market for middle range, medium-sized airlines: the F-27 can carry 40 to 60 passengers while the F28 seats 65 to 85. It has no plans to move down into the highly competitive market for commuter airlines seating around 30 passengers.

Swarttouw was brought into Fokker in 1978 from European Container Terminus (ECT) in Rotterdam, a company which he had built into the largest of its kind in the world. From Rotterdam High School, where he studied economics, he went into the family stevedoring company. With the move to container traffic the family sold out and Swarttouw joined ECT.

"I've had three jobs in 20 years and have enjoyed stepping up a grade in difficulty each time," he says. "But I have the feeling this will be the last. The thought of heading the national aircraft industry had never occurred to me. This is a difficult assignment but I love it. However, I have not yet proved that I can make it."

Swarttouw does believe he has achieved his targets so far but is reluctant to admit it. "I am hesitant to say that because people then become complacent. We have established three things. First, we now know where we are going. It is no longer a question of what we have to do but rather how do we achieve it? Major barriers have been removed and this enterprise now has a clear sense of direction."

Streamlined

"Second, we have refined our organisation. Third, we have set ourselves sub-targets and are reaching them step by step." The changes are examined in more detail in the final column.

In practice Swarttouw aims to double, and eventually treble, the production level of the existing F-27 and F-28 programmes. Once the organisation has been streamlined and costs reduced, a new aircraft—which it is hoped will be the MDF-100—will be launched.

Stepping up to Fokker from ECT did mean a change of scale for Swarttouw. "Fokker is bigger and in an industry like this nobody knows all the details of, say, marketing, or design. You work with specialists. The job of management is to use other people's talent."

Swarttouw divides his time into three areas. He defines these as internal guidance—keeping his finger on problems and liaising with his senior executives by means of short meetings. "Two hours is long: there are no five-hour meetings."

The second area is maintaining the contacts with people outside Fokker who can influence its future. This means keeping in touch with government officials—state secretaries and ministers. Thirdly, there are the international contacts. This is a big change from ECT, where external and international contacts were much less important and he devoted more time to the day-to-day commercial aspects of the business.

Swarttouw has set Fokker the target of maintaining three civil aircraft at one time. The proposed MDF-100 will complete the triangle. Fokker and McDonnell Douglas are now engaged in amalgamating their own designs—codenamed respectively the F-29 and DC-11—into the new joint aircraft and in finding launch customers. They expect to take a decision on whether to go ahead with the project at the end of this year.

For a small country, with a comparatively small aerospace manufacturing industry, the MDF-100 represents a considerable gamble for Fokker, on both financial and marketing grounds.

Under present plans for the project, its share could amount to as much as $1bn, unless the existing "co-equal joint partner" status with McDonnell Douglas is changed. Even with support from the Dutch Government, there are many in the world aerospace industry who feel that Fokker may yet find the scale of this investment so heavy that it will be obliged to reduce it, either in favour of a bigger share for McDonnell Douglas, or by bringing other partners into the programme.

Battle

The latter option — though decidely not the former—has been openly canvassed by Fokker, which has been discussing participation by the Japanese; other U.S. companies may also take financial and work-sharing stakes in the venture.

The other reason why the programme is a gamble is that the market for 150-seater airliners is now becoming crowded, with Airbus Industrie in Europe launching its A-320, and Boeing on the sidelines ready to launch its own rival "7 Dash 7" as soon as it believes the market is ready, in the next year or so. Two competitors for the MDF-100 will make the battle for orders extremely tough.

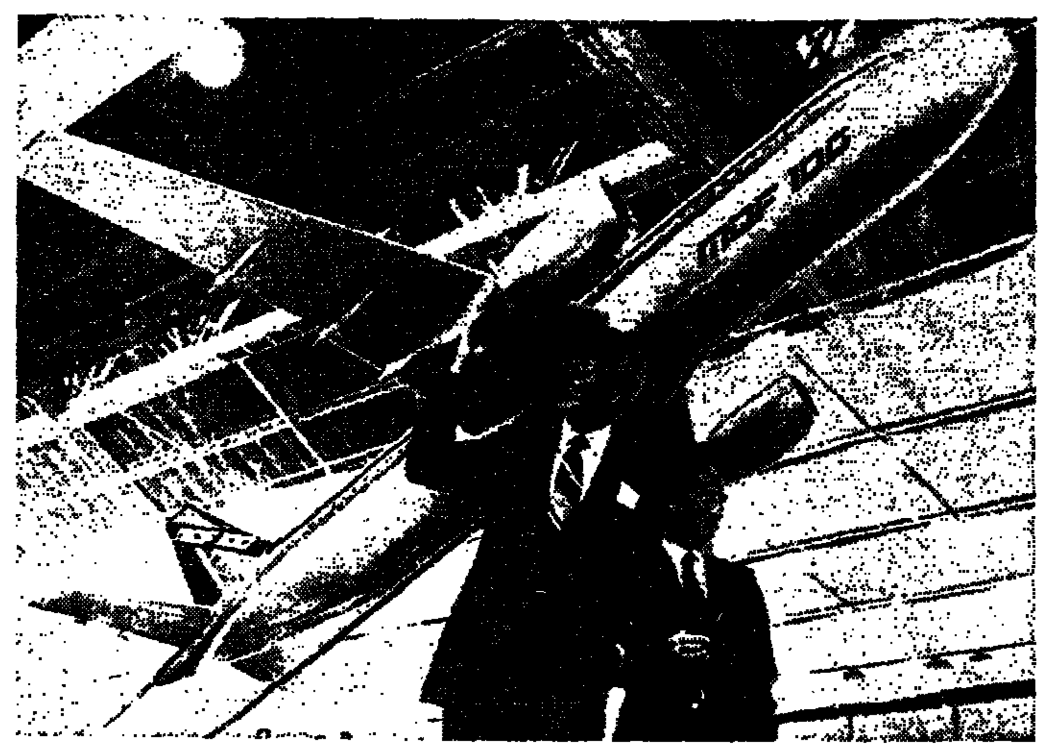
These are the factors Fokker must weigh up over the next six months, before finally committing itself to the definitive launch of the MDF-100 which will involve heavy spending on initial development.

Fokker certainly needs to grow to remain competitive with its larger rivals, but Swarttouw maintains that even if the MDF-100 gets no further than the wind tunnel all is not lost. "The F-27 is doing well and the F-28 is picking up, so we have one thing we really love—time," says Swarttouw. "There is no immediate pressure on the company. We would come close to our growth targets with the present aircraft."

In the longer term Fokker is working on a fourth project, code-named the FXX. This would be a turbo-prop to keep down fuel consumption but would involve new, as yet undeveloped, technology to meet the needs of the year 2,000.

If Fokker has a good record for making aircraft, it has a poor one for making profits. Swarttouw agrees that the company's shareholders have been patient but can promise no pot of gold at the end of the rainbow. The company made a small profit—Fl 10m—in 1980 and that will probably be repeated this year. Profitability is improving but it will be a slow process.

Swarttouw caught Fokker in the nick of time. He has since shown what effective management can achieve. He is sanguine, though, about his success. "It has been difficult—as I thought. I wondered when I took it on 'am I biting off more than I can chew?' I don't say I will make it but I am more confident now than I was then."



Frans Swarttouw (right), Fokker's president, with Sandy McDonnell of McDonnell Douglas, at the Paris Air Show: the two companies have agreed to develop a new 150 seat jet, codenamed the MDF-100, but for Fokker it is a considerable gamble

A radical overhaul

ON the advice of McKinsey, the U.S. consultants, Frans Swarttouw has thoroughly reorganised Fokker's management structure. As a result, many old faces have gone, new people have been brought in and some come back.

Apart from the changes in the company's six-strong managing board, extra men have been brought in at second and particularly third-line management levels over the past two years.

Other key changes include the appointment of a former IBM manager to be in charge of strategic planning, the creation of a directorate for technology to bring the designers and the builders of aircraft closer together, and a redefinition of the scope of the materials purchasing office, with a new top man brought in.

On a temporary basis, Fokker has also borrowed the head of KLM-Royal Dutch Airlines foreign relations bureau—a man with an intimate knowledge of U.S. industry—to lead the negotiating team which is now working out further details of the preliminary agreement reached with McDonnell Douglas.

Languish

Perhaps the most significant "return to the fold" has been the sales chief, Daan Krook, who had been lent out by the previous Fokker management to Airbus Industrie in Toulouse, for whom the Dutch company is a subcontractor. While Fokker's sales languished, Airbus's boomed. Swarttouw swiftly brought Krook back to Fokker and its sales have now taken off.

This radical overhaul has not made Swarttouw popular with everyone in the company but it has achieved results. The reorganisation has been carried out through all levels of the company down to the shopfloor and every job has been carefully re-defined. Under the old management each department defended its own area of responsibility against other departments and against the managing boards. Swarttouw claims this attitude of confrontation has been done away with.

Swarttouw outlines his aims and proposed changes in "green papers"—small booklets of 20 or so pages—which are sent to every employee at home. The aim is to involve the entire staff in the company's development.

TECHNOLOGY

EDITED BY ALAN CANE

Louise Kehoe on Nippon Electric's plans for an advanced chip plant—in California

A thrust at the silicon heartland

THE MOST advanced and highly automated semiconductor plant for the production of integrated circuits by a merchant supplier is to be built in the U.S., not by an American company, but by Nippon Electric Corporation of Japan.

NEC announced its plans last week to build the $100m plant in Roseville, near Sacramento, California.

The new plant will be equipped with the very latest in wafer fabrication, assembly and test equipment and will have a throughput of 75,000 to 80,000 wafers (the silicon discs on which microchips are printed) per month when it becomes fully operational in 1985. NEC says that it will make very large-scale integrated circuits — memories, microprocessors and gate arrays—at Roseville.

Building is scheduled to begin at the 75-acre site early next year, and the plant should open a year later. The first of two wafer fabrication modules will come on stream in 1983. It will be geared to making devices that are currently state of the art with three-micron (three-millionths of a metre) feature sizes. First products from the factory will be 64K dynamic RAMs (Random Access Memories), the building blocks for large computer memory stores, NEC says.

By 1984-5, feature sizes on the microminiature devices will be brought down still further to around 1.5 microns. This will be essential for the next generation of very large-scale integrated circuits which will include 256K dynamic RAMs and advanced microprocessors. NEC also plans to produce Read Only Memories (ROMs), another important element of computer memories, in Roseville. According to NEC U.S. executive vice-president, Charles Wood, NEC will make 128K and 256K ROMs at the new plant.

Production equipment to meet the needs of the advanced technology plant will be brought in from all over the world. "NEC will purchase the best equipment from wherever it is available," Charles Wood says. "The equipment and operating procedure in this facility will be unsurpassed in terms of sophistication and effectiveness in producing the highest quality devices available," he claims.

The details of the semiconductor production technology to be used at the Roseville plant are still to be decided. "We will choose equipment on the basis of evaluation in Japan," Wood says. One possibility that is under consideration is the use of electron beam lithography (see the FT, this page, June 8) which offers a significant improvement over current photolithographic methods. Electron beam systems can print much smaller circuit details on a wafer, more accurately than optical systems.

According to Handel Jones of Gnostic Concepts, a market researcher with close ties to NEC and other Japanese companies, NEC will make use of several new processes for wafer fabrication. These will include new low temperature deposition processes that avoid the very high temperatures (typically around 1,200 degrees C) that are normally required. The advantage of low temperature operation is that there is no damage to the wafer. High temperatures can cause warping and damage to the fine features that have already been enscribed upon the wafer. As device densities increase, this damage becomes critical.

Plasma

Plasma processes, the use of hot gas to lay down or remove material from the wafer will also be needed, Jones says. These replace "wet" processes using chemical baths. Plasma etching, during which unwanted areas are removed from the wafer surface, has several advantages over chemical processes. It is practically essential for VLSI devices, since the chemical baths cannot be very accurately controlled. Plasma etching is also safer as it avoids the messy business of dipping wafers into dangerous chemicals. Ion implantation, laser annealing, and other advanced processes will enable NEC to produce very advanced devices at the new facility.

What is very clear is that the Japanese intend to make the Roseville plant highly automated. Projected employment figures for the plant are only 200 persons when the plant opens, rising to 600 people working in three shifts when it is working at full capacity. According to industry experts, typical employment figures for a plant with similar through-put might be expected to be closer to 1,500.

Revenues from sales of devices made in Roseville should amount to half a billion dollars a year when the plant gets up to full steam in 1985, Handel Jones estimates. NEC itself puts the figure at a more modest US$175-$200m per year, but Jones and other industry analysts say that this is much too low. Even the NEC figures would place NEC in the top ten IC producers in the U.S. with MOS IC sales roughly equivalent to one-third those of Intel.

NEC says that it intends to sell almost all of the devices made in Roseville in the U.S. Roseville production will account for about half of all its sales in the U.S. by 1985, says the company. The rest will be bought in from Japan. Having such a large production facility in the U.S. will give the Japanese firm a strong competitive position in gaining market share in the U.S. It currently claims to have a 3 to 5 per cent share of the US$9bn U.S. semiconductor market, and aims to increase its share to 5 to 8 per cent by 1985, says NEC senior vice-president Tomihiro Matsumura.

The threat of tougher competition is not lost on U.S. semiconductor firms who are struggling to maintain their dominance of the integrated circuits market against increasing competition from the Japanese. To have a Japanese firm set up such a large and advanced plant right on their own doorstep is like rubbing salt into the wound.

Indeed, many see the Japanese move as a reaction to the growing demands for import quotas on Japanese electronics products brought into the U.S. By having their own manufacturing facilities in the U.S., Japanese firms could circumvent any such trade limitations, should they be enacted. Japanese semiconductor manufacturers have already adopted such a policy in Europe. NEC is currently, for example, building a large plant in Livingstone, Scotland, and already has an assembly facility near Dublin, Ireland.

The most worrying aspect of NEC's plans, for their U.S. competitors, is, however, the nature of the facility they will build in California.

The degree of automation at the NEC factory will be higher than that in any other semiconductor plant anywhere in the world, with the single exception of some of IBM's wafer fabrication lines, according to Jones.

Every stage of the production process will be automated, he predicts. In the lithography process, by which the patterns of the integrated circuit are imprinted on the wafer, automatic aligning and focusing will be used.

Transportation of the wafers from one processing operation to another will also be automated. Each of the chemical and electrical processes that the wafers go through in the production cycle will be controlled by microcomputers, and the traditional bottleneck of semiconductor production — the assembly stage at which finished chips are put into packages and bonded to the output pins that plug the integrated circuit into a circuit board will be eliminated by new automatic equipment.

Automation of assembly will substantially reduce the required work force at the IC plant. This job is normally highly labour intensive. To combat the problem, and cut costs, U.S. firms have for the most part created separate assembly operations "off-shore" in the Near East and other parts of the world where labour is cheaper than in the U.S. They ship parts to the assembly plants and then back into the U.S. Increasingly, however, the trend is towards automated assembly. This is seen as a means of speeding up assembly and improving the yield of good devices. Now, each of the major U.S. semiconductor manufacturers has plans underway to build new, highly automated assembly facilities in the U.S.

The NEC plant will be the first major semiconductor factory to be built in the U.S. by a Japanese company. So far, other Japanese electronics companies have made only modest investments in the U.S.—mostly in the form of takovers of small semiconductor firms. They are, however, expected to build on this foothold in the near future. Hitachi and Fujitsu are both believed to be planning major expansions of their existing U.S. production facilities. Others may follow.

One factor that is believed to have held back the Japanese from setting up production plants in the U.S. before is their distrust of the American work force. By automating semiconductor production to such a high degree, the Japanese now feel that they can avoid the problems of employee management in the U.S., say industry observers. Automation is also generally accepted as the route to higher production yields and greater device complexity.

White-garbed workers handle a silicon "wafer"—the NEC plant will produce 80,000 a month.

..POINTERS..

Operating system

COMPUTERLINE has made available a VME/B service in addition to its George 3/DME service of the past 10 years. It is based on an 8 mega byte ICL Dual 2960 with full communications facilities enabling users to access a range of software. Among supporting services are training, technical support, terminal line and courier. More details from 0932-55757.

Thermoforming

MORE THAN 100 components of British Aerospace's BA146 feeder jet airliner are to be manufactured on one machine —a Shelley VF7S thermoformer. The VF7S is a low loader, automatic cycle machine with a forming area of 78 in x 46 in (1982 mm x 116 mm). More on 0480 53651.

Paint stripper

ARDROX, part of Brent Chemicals International, says that its new paint stripper — ARDROX 2106—is the first not to contain phenols or ammonia, without the corresponding loss in performance normally expected from such products. Several airlines already use it.

Non flammable, it can be applied by spray or brush to remove paint schemes which include alkyds, acrylic, celluloses, and many chromated expoxy primers and polyurethanes. It is non-corrosive on most metals and will not cause hydrogen embrittlement. The company adds that it has no effect on chromate and anodic conversion coatings, making it especially suitable for the aircraft industry. More on 939-24951.

Engine analyser

INTRODUCED INTO the UK by Analogic of Weybridge (0932 41251) is the AN 25000 engine performance analyser.

Taking data from rotational speed and torque tranducers, the device gives a continuous reading of speed in RPM, torque in either lb-ft of newton metres and power in HP or kilowatts. The results appear on a seven segment high contrast light emitting diode display.

Applications for the system, which costs £945 in one-off quantities, will include vehicle inspection monitoring and certification and the measurement of power from rotating machinery in general.

This is a complete system consisting of a base power unit, a display, cabling, connectors and the speed and pressure transducers. The display can be operated at up to 30 feet from the base unit. All the units are ruggedly constructed and sealed against the ingress of oil, water and dust. They can operate at tempertatures up to 55 deg. C ambient and in relative humidities from 0 to 99 per cent (non-condensing).

Multimeter

MODEL 128 hand-held digital multimeter from Keithley Instruments offers 0.5 per cent basic accuracy, 3½ digit resolution (one millivolt and 0.1 ohm), 10 amps maximum current and resistance measurement to 20 megohms.

It "bleeps" on all ranges and functions when the measured value is above the threshold (volts and amps) or below it on ohms. In all cases the display remains active so that a precise measurement can be made.

Keithley claims that this is the only bleeping meter that will display a reading plus a direction arrow while activating the tone at the same time. The threshold can be set to almost any useful point — anywhere from 10 to 300 digits. More on 0734 861287.

Memory

WITH THE main difference being the use of the latest 64K chips instead of 16K chips, Memorex has introduced a new products range—the 7000 Series of Add-on Memories for the IBM 370/303X CPUs. The 7000 Series is a development of the 6500 Series.

The company says that it gives reduced power requirements and heat output as well as higher reliability because of the reduced number of components. It is also more compact, enabling many configurations of 7000 Memory to be installed within the CPU cabinet. Further details on Staines 51488.

Speed clean

BRITISH RAIL wheel-bearings are being cleaned by a new automatically operated plant in the wheel shop at British Rail Engineering's main carriage building works in Derby. Built by Tempest and Dibb the Six Stage Superdip Cleaning Plant cleans the bearings in 15 minutes at the rate of 100 a week and doubles the previous capacity. Previously, bearings to be cleaned were soaked in white spirit for eight hours and brushed by hand to remove dirt.

Computer radar display

A COMPUTERISED radar tracking display developed by Racal-Decca can be used as the main surface tactical console in a small warship or in a larger ship as a separate command console for fleet work and navigation.

Known as Command Tactical Console (CTC), the system is able to optimise the gain for each tracked target rather than having an overall gain setting for the entire display. Racal Decca says that this "provides the highest standard of autotracking in conditions of severe radar clutter" (the returns from waves and so on).

The optimisation means that targets within the guard range such as periscopes and buoys can often be tracked before they become visible to the naked eye. One of three guard ranges can be selected.

Targets coming into the guard zone as set on the screen are automatically acquired by the system which can then provide outputs for up to three weapons systems.

A navigational map system in the equipment permits the display of formations, dispositions, swept channels and search areas referenced to a ground stabilised position. The ability to record own ship's position at the push of a button is useful for man overboard, anti-submarine and mine-hunting situations.

Racal Decca Marine Radar is at New Malden on 01-942 2488.

LOMBARD

When the chip's are down

BY DAVID WALKER

THE FRENCH have their learned Academie. The Germans are imbued from birth with the mysteries of the accusative and the possessive. But the rape of the English language, with no such safeguards to protect it, continues apace. And the all-pervasive apostrophe, in particular, imposes itself more and more in places where it simply is not wanted.

"Kidnap gang free's girl," said a New Standard poster recently, proclaiming the attractions of that night's doubtless otherwise more literate issue of London's evening newspaper.

"Blous'es half price," screamed a shop near the Financial Times' offices. "Merrymaker day excursions to Leed's," advertised my local railway station—a real mystery tour. And nearly every town in the country by now has at least one shop offering fish and chip's.

At the same time, I have become almost reconciled to remaining one of the many "passenger's" who, according to station noticeboards, daily arrive in London via King's Cross.

Newspapers

MP's crop up everywhere, even in the best of newspapers. And the 1980's, I fear, are here to stay.

It is not just the English who are the offenders. Many are the American stores selling jean's (and not just Levi's) or offering extra stamps on baked bean's.

Why?

Do the inheritors of the language of Shakespeare and Milton not care what they do with it? Do they forget its basic structure? Or are they taught wrongly?

A quick glance at the average English language textbook for primary schoolchildren confirms one's worst fears. For there you will find the chip's, the free's and the other illiteracies which are beginning to dominate the written language.

Expression

The intentions of the books' authors are plain enough. They are trying to show how basic words build up to more complex ones. So they print the simple word — "chip." Then they print the plural, separating the final "s" from the root word with a stroke which to the average five, or six-year-old—and, indeed, this parent — is indistinguishable from an apostrophe. The child, in all innocence, reproduces it — and goes on doing so while its teachers concentrate on encouraging the development of free expression, leaving the correction of spelling and grammar largely alone. That comes later. And by then the intrusive apostrophe is there to stay.

Ambiguity

Does all this matter? After all, language is a continuously evolving thing. If it is to be the fate of English that it forms its plurals with an 's rather than the simple s without an apostrophe should we worry?

The answer has to be yes. For language is, or should be, a very precise tool. Every ambiguity inserted into it makes understanding that much harder to achieve. And using the possessive 's as a plural form as well can only add to ambiguity.

There are times when we need the apostrophe to form the plural. It would be impossible to mind our p's and q's or to dot our i's and cross our t's without it. But that is about all. Otherwise, as Fowler's Modern English Usage so aptly puts it, what we have is "a fatuous vulgarism." It is a vulgarism against which it is time to take action.

Shame

Maybe it is time to start a campaign for real English, to be known as CARE, attempting to emulate the success of the Campaign for Real Ale. Members would fight off all attempts to split infinitives, declare war on the noun used in place of an adjective ("Japan car company collapses" instead of "Japanese"), rescue the definite and indefinite articles from the abysses to which all newspapers, including, to its shame, this one, regularly consign them, and, above all, put the intrusive apostrophe firmly back in its place.

A favourite family—the campanulas

GARDENS TODAY

BY ROBIN LANE FOX

THERE ARE flowers everywhere at the moment, roses by the hundred, great drifts of the green-yellow Lady's Mantle and sweeps of dark-blue lavender among the white Iceberg roses and the lovely white Cistuses of our warm Home Counties garden.

These smart plantings are easily laid out and maintained. They became all the rage in the 1960s, helped by the taste of flower arrangers and interior designers who carried bold colour schemes out into gardens and thought of their space as one more room for their attention. White and dark blue, coral pinks and green yellow, these and other schemes were blocked out round large groups of dependable flowers.

Those, like myself, who put plants before colour schemes, were taught to stop putting their curious rarities side by side. We had to start thinking of runs of colour: gardens, I was told, should grow round basic blocks which match like well-chosen clothes.

Old habits die hard, and if my flower beds are no more apt than my dress, that does not say much for their elegance. I cannot give up my fondness for certain plants as families and so long as I have space, I will continue to collect as many kinds as I can.

In early July, my favourite family is having a field day. Even the designers would have to admit that it has more to it than many of their gardeners yet allow. Probably you all know campanulas, blue and white bell flowers or at the very least, those white, ink purple and lilac pink Canterbury Bells, whose seed should be sown very soon for the plants to flower next year. These are all good plants, but I have yet to find a poor flower in this family whose members range from Kashmir to the Swiss Alps and from the rough pasture of Central Asia to the grass hillsides of any English meadow. They come in all shapes and sizes, but those which gardeners grow are not necessarily the best.

Two old favourites, however, are just what colour schemers should be looking for. Campanula lactiflora means, in English, the milky flowered bell plant. Its masses of small open flowers are a rare shade of milk blue which varies prettily from seed and goes with anything strong. At 4 ft or so, they settle the fierce orange red of Lily Enchantment, the brilliant scarlet of perennial Lychnis and the other hot colours which tend to be limited to ones and twos.

You might like to copy a brilliant pair which I admired last Sunday, drifts of a milk-blue flower with the old orange alstroemeria running through and around it. This orange favourite takes a year or two to settle down, but I appreciate its vigour and its brown marked flowers. It prefers more sun than the campanula, but you can flank the pair with shrubs to suit their separate tastes. Oddly, this easy bell flower derives from the Caucuses. It grows like cress from seed.

The blue and white forms of peach-leaved campanula are all lovely and quite familiar. Often you see them as self-sown seedlings in ones and twos, but they deserve promotion as a major presence in their own right. The white form is a simple and satisfying match for almost anything, while the two together will light up a bed of the older sorts of rose, the reddish white sights and streaks of the favourite Rosa Mundi or my much loved Ferdinand Pichard who lasts so well.

Campanula persicifolia takes little space, but is too charming to be under-played. A seed packet will give you hundreds and if you only left them to fight with a big drift of green yellow Lady's Mantle, the Alchemilla, you would end up with a beautiful grouping for a half shaded garden which has space to spare. The bell flower is about 2 ft tall and quite the best value in the whole family.

Among its relations, however, the hunt is no less rewarding. In most winters, I would rely on one called Punctata to pull through without damage. If it survives, it gives you long tubular flowers to a height of 2 ft which are marked with pink on their ivory white ground.

Punctata has dwindled nowadays to botanical gardens only, but subscribers to good seed lists should seize it for next year. It is native to Japan and Siberia, so I suspect that it prefers a well drained winter soil rather than a warm home. Its colouring mixes well with stronger blues in the front of the border. It is very rarely seen nowadays.

The tall white tubes of the Latifolia variety are better known and are a clever choice for the back rows of a summer border, when the delphiniums are fading. I have never grown this four-feet high plant well and have learned this year what has gone wrong. It prefers light shade and an open sandy soil which does not become like a rock after a week's dry weather.

Under the broken shade of tall woodland Latifolia used to fill those Edwardian beds between the drifts of Surrey azaleas. Old pictures show it among July lilies in glades and clearings. Perhaps you never owned a glade, but this lovely border plant is obviously better if kept out of full sun and not allowed to dry out during the growing season. The white form is prettier than the blue, but both will multiply well.

High prices are now charged for bits of slate grey hybrid Burghaltii, whose colour is such a clever match for the glaucous leaves and flowers of many hostas. It persists with me and I am fond of it, but it is not nearly so happy as a French-bred hybrid called Van Houttei which has violet blue flowers as tubes, not bells, and produces them very freely. This ignored beauty looks splendid among white based pinks at the front of a rose border. Again, it hates to be too dry, but of the two good hybrids it is my favourite.

At lower level, a lifetime could be spent in pleasing the mountain varieties. At times, I feel I have lost more campanulas than I have lost and I must warn you that slugs consider their young shoots to be a special caviar. All the easy forms of Carpatica are joy, especially a pale blue called as Moonlight.

The longer the name, the more rampant the roots, so I would think twice before buying the common mouthful of [illegible] which are sold in general stores. Once planted, they run everywhere. Instead, I could enjoy my new find called Pulloides, which is sold by Rossingham Nurseries, Diss. Its flowers hang like purple bells but are larger on their six-inch stems and stand out in a good shade of violet purple.

I have matched Pulloides with an easy white campanula called Raineri whose stems are like threads and whose bells are fascinatingly small. Anyone could grow these two small members of a wonderful family. They have the contrast of colour and freedom of flower which bold gardeners find in their dark-blue lavender and white-flowered roses. But they will fit anywhere and are not yet too familiar to be dull.

If you like to be different, there is much in this marvellous family to allow you to strike out on your own.

Ten winners in high-class field for Newmarket's July Stakes

RACING

BY DOMINIC WIGAN

THERE CAN seldom have been better racing of two-year-olds offered on one card than this afternoon's for the July course. In addition to the July Stakes, sponsored by Anglia Television and carrying £12,000 added prize money; the Newmarket course has intriguing races for the Princess Maiden Stakes and the Bernard van Cutsen Stakes.

Ten previous winners have accepted for the July Stakes. The Group Three event, run over the last six furlongs of the Bunbury Mile, is likely to take a good deal more winning than a year ago when Age Qod Agis won.

This time, the Warren Place winner's in-form stable companion, Cajun, is likely to jump off at short odds following his clear success in the Chesham Stakes at Royal Ascot, where he was chased home by Treboro. Locally trained Cajun may well follow up but two I prefer are Linus Ginseng and Ian Balding's once-raced Diamond Shoal.

Linus Ginseng returned to winning form last time out following a creditable sixth place effort from a moderate draw in the Coventry Stakes. He will run his usual game race without, perhaps, accounting for Diamond Shoal. Diamond Shoal was tremendously impressive in beating Bold Saracen when making his racecourse debut at Bath.

Luca Cumani trains a particularly speedy colt in Dansacha. The three-year-old has been waiting for a sharp five furlongs and top-of-the-ground conditions and looks something to bet on at Brighton. He goes for the Preston Park Handicap.

NEWMARKET

2.00—Sans Blague
2.30—Jannda**
3.05—Tolmi
3.35—Diamond Shoal*
4.10—Magikin

BRIGHTON

3.15—Dansacha***

TV/Radio

BBC 1

†Indicates programme in black and white

6.40-7.55 am Open University (Ultra High Frequency only). 10.55 Cricket: The Benson and Hedges Cup semi-finals. 1.15 pm News. 1.30 How Do You Do? 1.45 Regional News for England (except London). 1.50 Cricket: Benson and Hedges semi-finals. 4.18 Regional News for England (except London). 4.20 Play School (as BBC2 11.00 am). 4.45 The Song and the Story. 5.05 John Craven's Newsround. 5.10 Think of a Number.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
7.00 The Wonderful World of Disney.
7.50 The Olympian Way.
8.30 Three of a Kind.
9.00 Party Political Broadcast on behalf of the Conservative Party.
9.05 News
9.30 Shoestring.
10.20 Cosmos.
11.10 Paperbacks.
11.45-11.50 News Headlines.

All Regions as BBC1 except as follows:

CYMRU/WALES—5.55-6.20 pm Wales Today. 7.00 Heddiw. 7.20-7.50 Goreuon Gwynfryn. 11.45 News Headlines; News and Weather for Wales.

SCOTLAND—9.55 am The Wombles. 10.00 Jackanory. 10.15 Godzilla. 10.35-10.55 Take Hart. 1.10-1.15 pm The Scottish News. 5.55-6.20 Reporting Scotland. 11.45 News Headlines; News and Weather for Scotland.

NORTHERN IRELAND—4.18-4.20 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 11.45 News Headlines; News and Weather for Northern Ireland.

ENGLAND—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth).

BBC 2

6.40-7.55 am Open University.
10.20 Gharbar.
11.00 Play School.
4.50 pm Open University.
6.55 Jacqueline du Pré Masterclass.
7.30 Mid-Evening News
7.45 City.
8.30 Big Jim and the Figaro Club.
9.00 Rhoda.
9.25 Top Crown.
10.10 Mozart: The Last Decade.
10.40 Party Political Broadcast on behalf of the Conservative Party.
10.45 Newsnight.
11.30 Cricket: Benson and Hedges Cup (highlights).

LONDON

9.30 am Run Cheetah, Run. 9.55 Eye of the Octopus. †10.45 "Child's Play," starring Christopher Beeny. 11.50 Beany and Cecil Cartoon. 12.00 Cloppa Castle. 12.10 pm Rainbow. 12.30 The Music of Man. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 The Electric Theatre Show. 2.00 Live from Two. 2.25 Racing from Newmarket covering the 2.30, 3.05 and 3.35 races. 3.45 Now You See It. 4.15 Pepe le Pew. 4.20 How. 4.45 Quest of Eagles. 5.15 Here's Boomer.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Where There's Life....
7.30 Coronation Street.
8.00 The Video Entertainers.
8.30 Have I Got You . . . . Where You Want Me?
9.00 Playhouse.
10.00 Party Political Broadcast by the Conservative Party.
10.05 News.
10.35 "The Illustrated Man," starring Rod Steiger and Claire Bloom.
12.35 am Close: Sit Up and Listen with Dame Janet Baker.

All IBA Regions as London except at the following times:—

ANGLIA

9.30 am European Folk Tales. 9.40 England their England. 10.10 Thunderbirds. 11.00 New Accelerators. 11.25 Cartoon Time. 11.35 The New Fred and Barney Show. 1.20 pm Anglia News. 6.00 About Anglia. 10.35 The Wednesday Film: "The Buttercup Chain," starring Hywel Bennett and Jane Asher. 12.20 am Methodists in Conference.

ATV

9.35 am Hot Stuff. 9.45 Circus. †10.10 Morning Cinema: "Odd Man Out," starring James Mason. 1.20 pm ATV News. 2.00 and 3.45 The Royal Show from Stoneleigh Abbey. 5.15 Survival. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 10.35 Sweeney. 11.35 ATV News. 11.40 Bowls Spectacular.

BORDER

9.30 am Untamed World. 9.55 George Hamilton IV. 10.20 Thunderbirds. 11.10 World Leaders (Churchill). 1.20 pm Border News. 5.15 University Challenge. 6.00 Lookaround Wednesday. 10.30 The Sweeney. 11.30 Border News Summary.

CHANNEL

1.20 pm Channel Lunchtime News, What's on Where and Weather. 5.15 University Challenge. 6.00 Channel Report. 10.00 Vision USA. 10.33 Channel Late News. 10.41 Twenty Years. 11.25 Police Surgeon. 11.55 News and Weather in French followed by Epilogue.

GRAMPIAN

9.45 am First Thing. 9.50 Dancers. 10.20 Chopper Squad. 11.10 Young Ramsay. 1.20 pm North News. 5.15 Welcome Back Kotter. 6.00 Summer at Six. 10.35 Tenspeed and Brown Shoe. 11.35 North Headlines. 11.40 Seachd Laithean—presented in Gaelic.

GRANADA

9.30 am Wildlife in Crisis. 9.55 Wednesday Matinee: "Monte Carlo or Bust," starring Tony Curtis, Susan Hampshire and Terry-Thomas. 1.20 pm Granada Reports. 1.30 Emmerdale Farm. 5.15 Happy Days. 6.00 Granada Reports. 6.25 This Is Your Right. 10.35 Vegas. 11.30 Rockstage.

HTV

9.45 am The World We Live In. 10.10 Young Ramsay. 11.00 Sesame Street. 1.20 pm HTV News. 5.15 Dick Tracy. 5.20 Crossroads. 6.00 Report West. 6.30 Laverne and Shirley. 10.33 HTV News. 10.40 Manscape. 11.00 Lou Grant.

HTV CYMRU/WALES—As HTV West except: 12.00-12.10 pm Ffalabalam. 4.45-5.15 Tan Yn Y Mor. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.40 Who's Hand on the Tap. 11.40-12.40 am Lou Grant.

SCOTTISH

9.55 am Sesame Street. 10.55 The Collectors. 11.10 Charlie's Angels. 1.20 pm News Headlines and Road and Weather Report. 2.45 The Royal Show from Stoneleigh Abbey. 5.15 Teatime Tales. 5.20 Crossroads. 6.00 Scotland Today. 6.30 Down to Earth. 10.35 The Sweeney. 11.35 Late Call. 11.40 Seachd Laithean.

SOUTHERN

9.30 am Bill, Peggy, Royal and Friends. 9.55 "The Blue Peter," starring Kieron Moore. 11.30 Out of Town. 1.20 pm Southern News. 2.00 Houseparty. 5.15 Undersea Adventures of Captain Nemo. 5.20 Crossroads. 6.00 Day by Day. 6.35 Scene Midweek (South East Area only). 10.40 The Entertainers (Peter Skellern). 10.40 Dougalling. 11.10 The New Avengers.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 9.30 Survival Special. 10.20 Crown Green Bowling. 10.45 Call It Macaroni. 11.10 Rockstage. 1.20 pm North East News. 1.25 Where the Jobs are. 5.15 The New Fred and Barney Show. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Life. 10.35 North East News. 10.37 Hagen. 11.30 Mind over Matter. 12.00 Learning from Children.

ULSTER

1.20 pm Lunchtime. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 6.30 Family Matters. 10.34 Ulster Weather. 10.35 Rockstage. 11.35 Bedtime.

WESTWARD

9.25 am Larry the Lamb. 9.40 Sesame Street. 10.40 Hands. 11.05 Village Action. 11.30 Razzmatazz. 11.55 Wattoo Wattoo. 12.27 pm Gus Honeybun's Birthdays. 1.20 Westward News Headlines. 5.15 University Challenge. 6.00 Westward Diary. 10.37 Westward Late News. 10.41 Twenty Years. 11.25 Police Surgeon. 11.55 Faith for Life. 12.00 West Country Weather and Shipping Forecast.

YORKSHIRE

9.30 am World Fairy Tales. 9.40 A City Set on a Hill. 10.05 "Africa—Texas Style!" starring Hugh O'Brien and John Mills. 11.50 Cartoon Time. 11.55 Wattoo Wattoo. 1.20 pm Calendar News. 5.15 Mork and Mindy. 6.00 Calendar (Emley Moor and Belmont editions). 10.35 Brass in Concert. 11.20 Mind over Matter. 11.50 Paris by Night.

RADIO 1

(S) Stereophonic broadcast
‡Medium Wave only

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates, from The Royal Show in Stoneleigh, Warwickshire. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Peter Powell. 7.00 Radio 1 Mailbag. 8.00 Richard Skinner. 10.00-12.00 John Peel (S). VHF RADIOS 1 AND 2—5.00 am With Radio 2. 6.00 pm David Symonds with Much More Music (S). 7.30 With Radio 2. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Steve Jones (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 John Dunn (S). 2.00 pm Jean Challis (S) and Racing from Newmarket. 4.00 David Hamilton (S). 5.45 News, Sport. 6.00 Cricket Special. 7.30 David Symonds (S) (joining VHF). 8.00 Listen to the Band (S). 8.45 Alan Dell with Dance Band Days. 9.15 Among Your Souvenirs (S). 9.55 Sports Desk. 10.00 Stop the World. 10.30 Hubert Gregg says Thanks for the Memory. 11.00 Brian Matthew with Round Midnight. 1.00 am Truckers' Hour with Sheila Tracy. 2.00-5.00 You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Your Midweek Choice (S). 8.00 News. 8.05 Your Midweek Choice (continued) (S). 9.00 News. 9.05 This Week's Composer: Menotti (S). 10.00 Music for Violin and Piano (S). 10.40 Domenico Scarlatti and Francois Couperin (S). 11.30 British and American Music (S). 1.00 pm News. 1.05 Schumann's Dichterliebe (S). 2.00 Music Weekly (S). 2.50 Schumann and Liszt: Piano recital (S). 4.00 Choral Evensong (S). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Solo: Hess (written and performed by Michael Burrell). 8.00 Polychoral Music from St. Paul's, part 1 (S). 8.40 Six Continents. 9.00 Polychoral Music, part 2 (S). 10.05 A Summons, by L. P. Hartley. 10.15 St. Alban's Festival 1981 (S). 11.00 News. 11.05-11.15 Reynaldo Hahn (S).

VHF ONLY—Open University: 5.55-6.55 am and 11.15 pm-12.35 am and for students in Scotland, Wales and Northern Ireland only: 12.35-12.55 am

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping Forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Midweek: Mavis Nicholson. 10.00 News. 10.02 Gardeners' Question Time. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Baker's Dozen (S). 12.00 News. 12.02 pm You and Yours. 12.27 It Makes Me Laugh. 12.55 Weather: Programme News. 1.00 The World at One. 1.35 A Party Political Broadcast on behalf of the Conservative Party. 1.40 The Archers. 1.55 Shipping Forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 Afternoon Theatre. 3.50 Bean on the Borders. 4.00 The Mermaid Story: Bernard Miles tells the story of the Mermaid Theatre. 4.45 Story Time (S). 5.00 P.M.: News Magazine. 5.50 Shipping Forecast. 5.55 Weather; Programme News. 6.00 News, including Financial Report. 6.30 My Music (S). 7.00 News. 7.05 The Archers. 7.20 Fat Man Out (S). 7.45 Exploring Outer Space. 8.45 Analysis. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 The Lord of the Rings by J. R. R. Tolkein (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Total Music Show. 2.30 Tony Blackburn. 5.00 News. 5.10 Music on the Move. 6.33 The Name of the Game. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from the House of Commons. 11.00-5.00 am Join Radio 2.

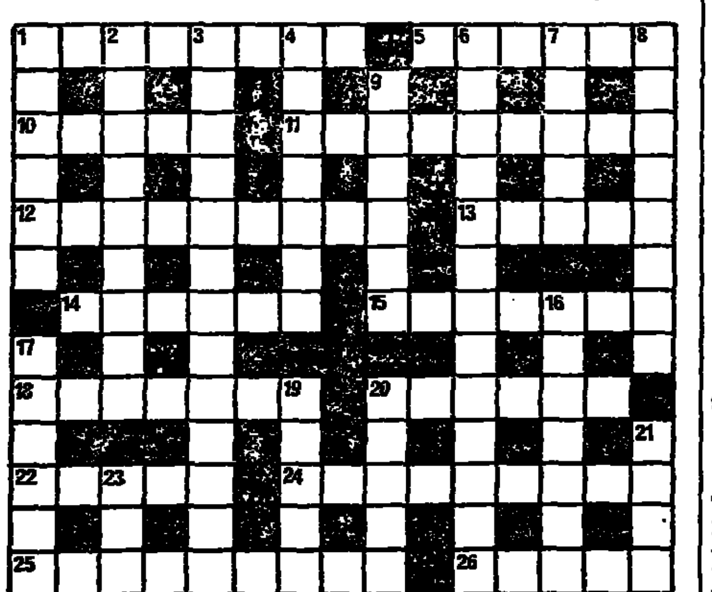
London Broadcasting

6.00 am AM—Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life, includes feature on Jazz. 9.00 Mike Dickin's Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Network. 5.00 Morning Music.

Capital Radio

7.00 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Mike Allen. 1.00 First Report. 1.10 Mike Allen (continued). 3.00 Roger Scott. 6.30 London Tonight. 8.30 Nicky Horne. 10.30 John Sachs's Late Show. 12.00 Midnight Special.

F.T. CROSSWORD PUZZLE No. 4,614



ACROSS

1 Sound advice to predatory female, or a bloomer (8)
5 God displaying large-sized flag (6)
10 Family on point of acquiring underwear (5)
11 Authority newsman justified (9)
12 Chap taking the plunge going separate ways (9)
13 Direct method (5)
14 Groovy sound reproducer (6)
15 Oil able to be brought to flower (7)
18 Dial Ron to get wrong number (7)
20 Drug takes time to appear in soup (6)
22 Spot sound fish (5)
24 Phoney cleaner South Africa state sends back (9)
25 Boy getting clear always as poet (9)
26 Man takes chance with ancient slave (5)
27 I would return instrument in water (6)
28 Appear to sound smaller when there's no join (8)

DOWN

1 Complaint might include boy (6)
2 Done up over Dante translation (9)
3 Soldier takes advantage of public concern (7, 8)
4 Unruly as Wells might say (7)
6 Bloomer wisely pursued to stable conclusion (4, 2, 9)
7 Speed daughter considered (5)
8 Snobbery (not at all imagined) of the stars (8)
9 Beefy rascal under the awful lamplight is initially savage (6)
16 Cambridge put in shade (5, 4)
17 Made up to be serene (8)
19 Servant leading airman to solution (6)
20 Plain repair I bungle (7)
21 One taking two directions joins (6)
23 Girl (upper-class) left to cancel (5)

Solution to puzzle No. 4,613

ENTERTAINMENT GUIDE

OPERA & BALLET

THEATRES

CINEMAS

ART GALLERIES

FINANCIAL TIMES

PUBLISHED IN LONDON & FRANKFURT

INTERNATIONAL & BRITISH EDITORIAL & ADVERTISEMENT OFFICES

Television

The big sleep

by CHRIS DUNKLEY

The seven new series starting in the past week were a pretty unsatisfactory lot, showing all the signs of the abiding belief within British television that nobody—well, nobody who matters anyway—watches in the summer. The best of the bunch, called *Three Of a Kind*, could pass unnoticed during a really good week's television, in the autumn say, and the worst is so awful that it is impossible to tell whether its appearance of parodying *Peyton Place* is deliberate or fortuitous.

The one for which I had highest hopes was "The Taste of Death On My Tongue," the first in a group of 10 programmes (hardly a "series" since workshops, documentary and concert performances are all included) called *Mozart: The Last Decade*, the whole collection forming a part of BBC2's "Festival Of Music."

This "festival" which promises 60 programmes between now and mid-September with "something for everyone" looks suspiciously like a cheap and cheerful way of erecting a decorative umbrella over a motley collection of repeats (such as tonight's *Masterclass* by Jacqueline du Pré) and ordinary established series (such as tomorrow's *Best of Brass*) with only a peppering of really original material. But at least "The Taste of Death On My Tongue" looked genuinely new.

So it proved, but it was also a mess, which is ominous if it is a fair example of what we can expect from Humphrey Burton in his rôle as executive producer now that he has ceased to be the BBC's Head of Music and Arts. For those of us whose knowledge of Mozart comes mainly from record sleeves and *Amadeus* (and incidentally in the new West End production Frank Finlay is impressive, but nowhere near as effective as when working with television cameras) it was interesting to have the composer's life put into a broader and less melodramatic perspective.

The programme was a walk-through documentary and the presenter—drinking the wine dregs at Mozart's *very* dinner table, labouring up the *very* steps that Mozart used, peeking winningly around the *very* corners he knew—was H. C. Robbins Landon who, even if he had the looks of an all-in wrestler in his Sunday best, nevertheless seemed to know his stuff. The mess was not his fault but that of producer J. Mervyn Williams who never established a clear chronology. Worse, his "wallpaper" sequences shot as visual back ground for the commentary were either mannered or irrelevant or both: zooming portentously into architectural details is no substitute for proper programme making.

The best music programme so far this summer has been the South Bank Show's *Music For A Great City: Venice*, beautifully directed and produced by Tony Cash and written and presented by Jane Glover who builds the same four-square relationship between herself, the camera, old music manuscripts and the viewer as does Michael Wood using Anglo Saxon chronicles for his *In Search Of* series. Deeply knowledgeable enthusiasm is their common weapon. Where cinema is concerned Wood still has the enthusiasm but not the knowledge of the true film freak necessary to carry BBC-1's cinema series *Now Showing* with conviction. Moreover he gabbles off the autocue.

But back to the new programmes. *Christians Under Fire* is another of those cheap studio discussion series which the recession is making so popular, this time from Thames. Since England still has, scandalously in my view, an Established church, and since English attitudes have been affected over the centuries so markedly by Christian dogma, it could have been a most informative and even seminal series. After all, the BBC has proved itself over the past 25 years quite incapable of producing any programme that seeks to throw serious doubt on Christian doctrine; anyone believing in free speech might hope that ITV could fill that gap.

It may yet happen, but the first episode, chaired far too tentatively by Dick Taverne, rapidly bogged down in discussion at playground level about whether (for instance) a supernatural being could make a motor car run on air. If the producers would have a look at the last two real attempts made by broadcasters to question Christian beliefs (Bertrand Russell debating "The Existence Of God" with Father Copleston on the BBC Third Programme in 1948 and Margaret Knight's three talks "Morals without Religion" on the BBC Home Service in 1955) and try to re-map the ground covered there, never mind progressing any further, they would have achieved something unique in the history of British television.

The other new factual series on ITV, *Years Of Lightning*, was hard to get used to since it never progressed beyond a fast-cutting series of film snippets, newspaper cuttings, snapshots and popular songs. Flipping dozens, perhaps hundreds of such menemonics one on top of the other, producer David Wright and director Andrew Piddington evoked both the look and the spirit of 1947, convincing me at one stage that they had actually found a photograph of my three-year-old self in long khaki shorts on the beach during that magnificent *summer*. The programmes still to come for 1958, 1963, 1967 and 1970 should be more effective now we know what to expect.

BBC1's new Wednesday drama series, *The Olympian Way*, is one of those formula productions in which nothing grows naturally out of character, nothing develops organically within the plot, the various constituents instead being forced, pre-shaped, out of tight little moulds. For some reason such productions are often greeted by a chorus of "How can it fail?"

Everything about this one is tiresomely trendy: it is set in a keep-fit club where fat women with supposedly fashionable northern accents sit in jacuzzis or undergo massage. The casting is of the Modern Inverted Racist variety with several cast members clearly chosen first for colour and second for acting skill. The series' own estimate of its audience is indicated by the portrayal of plumbers (you know, those men who drive W-registration Volvo estates) as idiots, and of a local newspaper photographer as a man who totes a giant tripod, legs fully extended, over his shoulder — like a masked burglar in a comic strip with a sack marked "Swag."

BBC1 and ITV both have newly imported American series. *House Calls* brings Wayne Rogers (memorable for his years playing Trapper to Alan Alda's Hawkeye in *M.A.S.H.*) back Stateside, as they say, to continue playing the wizard womanising surgeon in a small hospital. There are three main gags: the hospital exists entirely for its staff and no patient is ever seen; the chief surgeon is ga-ga; and Lyn Redgrave who plays an administrator is awfly awfly English, don'tcher know. American English in other words. All three gags were exhausted in Episode I and failed to respond to the bell in Episode 2.

Secrets Of Midland Heights is a true collector's item for anyone fascinated by authentic American trash. Though it is set in today's world (in Episode I schoolgirl Holly asked Teddy to rid her of her virginity) it carries a powerful whiff of Tuesday Weld and *Peyton Place* with it, and some odours older than that. There is a wicked guardian, lots of American football, and fraternity house raids. If *Soap* had not intervened we might see it as a brilliantly clever post-*Dallas* parody of the post-war small-town American dream. As it is you just have to hold your breath as actors rush out of shot shouting "You stay here!" or, narrowing their eyes, announce through thin lips "It is possible Anne that your mother's illness is hereditary. That is why Grandmother and I want to keep you in this house."

The best of the new series, *Three Of A Kind*, delivers skits at the rate of *Not The Nine O'Clock News* and technical tricks at the rate of *The Kenny Everett Video Show*. Although it doesn't have the bite of those series it is more good-natured than either and probably has a larger potential audience than both. With Lenny Henry's fizzling good humour, some wicked if un-subtle send-ups (of David Bellamy, for instance, or *Australian Blue Peter*: "Today we'll be showing you how to get smashed on £2 in a Liverpool bar") and a very slickly handled dance sequence which suggests that the BBC variety department may finally have cottoned on to the electronic nature of television, it looks well placed to win big ratings.

Though nobody important will be watching, of course, because it is summer.

Theatre Royal, Stratford E.15

Steaming by ROSALIND CARNE

Nell Dunn's first stage play is shot through with extravagant and caustic wit. Verbal sparkle, a strong cast, at least two intriguing characters and some fine visual embellishments are promising ingredients and the opening moments bode well. But the finished piece is curiously disappointing, a package of fine trappings around a central dramatic void.

The whole of London must know by now that the play is set in a municipal Turkish bath and calls for a special on-stage plunge pool into which the actresses leap, naked and looking very cold. Around the pool, shining blue tiles and gloss paintwork produce a cavernous echo. Downstage, the five steamers recline on beds and couches and talk. When they hear of the threat to the baths, they petition to save it. Thus far the plot.

The life of the baths is of course no more than an excuse to introduce the lives of the bathers, in particular the life of a certain brown skinned, platinum blonde cockney called Josie. She lives off men and is obsessed by her money troubles and exciting, if dangerous, sex life. Georgina Hale rampages through the part with dropped consonants and rippling adenoids. She is pathetically effecting, but somehow static.

Josie is a foil to the middle-class Nancy (Ann Lynn), who arrives nervously at the baths, but gradually finds herself drawn into the sisterhood of steamers. She too breaks down at one point in a dramatic set piece, detailing her broken marriage and the pressures that have kept her dependant on a man. But despite verbal assurances, there is no sense that either of these women will be particularly affected by their experience or their new friendship. Josie declares, unconvincingly, that she wants an education. Nancy announces she is going "to get fucked." The pronouncements sound like bravado, not resolution. It is easy enough to believe in a temporary unity to defend the baths, less easy to believe this is going to change lives.

Only Brenda Blethyn as Dawn, the eccentric, stunted daughter of an over-protective mother, gives the impression of a woman whose life may be affected by these events. Her self-conscious giggles, her inimitable movements, her mutterings of the simplest lines, provide some of the finest moments in the play.

But otherwise I found it a mildly dismal experience, an appeal to sisterhood perhaps, but on a superficial level and from the wrong direction. I was left with the sense that the steamers would continue in their fruitless obsession with men in spite of their miserable experiences. Only Josie appeared to have any fun and then in a desperate, quasi-masochistic way, complete with black eye and sacrifice of body and soul. I don't remember seeing a play that managed to be quite so startlingly funny in patches with quite such a depressing view of sexual relations.

The company have worked hard to bring it to life and the able direction is by Roger Smith.

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Carol Royle and Tony Church

Aldwych

Troilus and Cressida

by MICHAEL COVENEY

Apart from a forgotten *Merry Wives*, I cannot remember the RSC opening a major Shakespeare production in London rather than in Stratford. This play, which has, more than any other of Shakespeare, belonged to this century, is now unceremoniously (or rather *very* ceremoniously) wrenched from the grip of John Barton by Terry Hands in his most uncompromisingly operatic vein. It makes for a thrilling evening, full of the sort of desperate excess you would expect in, say, Germany. It is outrageous anathema to the English tradition.

The stage is carpeted with black fur. The walls of Troy are of burnished, beaten metal and the designer Farrah develops a colour scheme through the orange of the Trojan costumes. Cressida, impetuous and distracted from the start in Carol Royle's attacking performance, plays hopscotch through the cushions and engages Pandarus in a childish finger duel. The parade of Trojan warriors is increasingly satiric, great men quaffing wine before Paris preens himself in a mirror and Troilus shambles on with a cringing, apologetic gait.

There is a marvellous sense of the duration of the war when we transfer to the Greek camp and the black senility of the generals. Agamemnon (Trevor Baxter) is a pill-popping ditherer, Menelaus (Richard Cordery) a defeated, dusty of cuckold and Nestor (Oliver Ford Davies) an ingratiating tortoise, bent double with age and wearing his shield as a permanent shell. John Carlisle gives Ulysses' great speech on Degree an unusually rasping urgency, building to his climactic despair at Achilles' recalcitrance. "Troy in our weakness stands, not in her strength" assumes the force of a diagnostic motto for the state of a war that has gone on for too long.

David Suchet as Achilles has been given the Alan Howard privilege of centre stage immunity, but offers an irresistible portrait of an epicene prize-fighter in a constant condition of toning-up for the match of the century against Hector. His boy, Patroclus, applies the body oil as Ulysses provokes him to defend his own legend. His idea of sinister fun is to launch into a finger-snapping Zorba the Greek routine, a trick he uses to lure the massive Hector to his tent as the stage suddenly erupts in a show of red streamers. The final confrontation has the inevitable sensuality of a spider enmeshing the fly with the aid of his strictly choreographed Myrmidons.

The prologue is spoken by Thersites, whom Joe Melia presents as a scampering, pragmatic go-between with a caustic resistance to lecherous deviations. As a shrewd observer, though, nothing suprises him and the modernity of Cressida's paddling of Diomedes' palms after being passed among the generals for a succession of salivering kisses is only what you would expect in such a world.

This isolates the urgent naivety of Troilus's infatuation even further and James Hazeldine, playing quite against the grain of the production, pulls off some amazing moments with the verse, as much through force of character as sheer technique. His headlong rush into the battle front, after losing Cressida, is a frightening suicide mission, capped by his final dismissal of Pandarus into a barbed wire wilderness that is stretched across the stage for the final moments. Tony Church makes more of Pandarus's songs than anyone I can remember and his farewell, hands trapped in the vicious wire, movingly summarises the lovers' tragedy.

The show falters only when it enters the realm of comedy. There is a nice point made in the respective hugeness of Bruce Purchase as Hector and Terry Wood as Ajax (they are, after all, distantly related) but Mr Wood's box-smashing antics in preparation for answering the challenge remind me of nothing so much as the crude physical overstatement in the work of a director like Peter Zadek (Zadek once made an Othello make love to Desdemona all over the bedroom, on top of cupboards and hanging from the chandelier, before killing her dead at least twenty times). Risible, too, is the sight of Patroclus emerging from Achilles' tent while buttoning his fly.

The final half-hour of a very long show (running well over three-and-a-half hours) is brilliant, the battle skirmishes harshly staged in relentless cross beams to the accompaniment of a Waltonesque soundtrack by Nigel Hess. The luxuriant spaciousness of the staging here contrasts vividly with the succession of iron grills that have crashed to the ground and enclosed the Antenor/Cressida deal between the factions. The Helen scene is a bit of a mess (something like Zsa Zsa Gabor playing Dietrich in a camp floor show conceived by Giraudoux) but the very least you could say of the whole Farrahgo is that it makes a change and offers an antidote to the restrained seriousness of much RSC Shakespearian work.

Wigmore Hall

Lontano

by DOMINIC GILL

As well as a major work by George Crumb, whose vocal music has linked and lent a title to Lontano's two "British and American" concerts at the Wigmore Hall this month and last, the ensemble's second programme on Monday included no less than four first British performances, three of them world premieres.

Roger Marsh's *The Wormwood and the Gall*, scored for soprano and five instruments with percussion, opened the evening: a dark lamentation (its text deriving from the Book of Lamentations) in dirge rhythm, clothed in all manner of sepulchral instrumental and vocal colour, and alive with strong and interesting ideas. I liked it a lot. The first page especially was striking: a spare, hoarse vocalisation (the solo part splendidly taken by Linda Hirst) in and around which the instruments slowly emerge. The word "now"—in Biblical Hebrew *ekhah* means both "how" and "lamentation"—is used as a dramatic punctuation to nicely varied, and sharply pointed, effect. The best moments are distillations, highly concentrated: although one or two of the connecting links seemed by contrast less than relaxations, a little limp—perhaps a minute's worth of judicious tightening could do the trick?

Another imaginative piece, clearly written and still more simply and directly conceived, was *Processions and Dances* by Robert Saxton scored for seven instruments and percussion. With fine economy of means Saxton summons up a spare and wintry aural landscape which gives way to dance-like interludes, each one rhythmically more complex than the last, until silence, and the return of the wintry sonorities, intervene. Short, deft and engaging.

The British premiere of Toru Takemitsu's *Eucalypts II* for harp, oboe and flute—a smaller version of his *Eucalypts I* for the same trio with orchestra—passed by in a cloud: a sleepy memory, evaporated and set in crystal, of Skryabin and Debussy and the wind in a bamboo forest. Lontano's director, Odaline de la Martinez, let the ensemble play her own *Litanies* for flute, violin, viola, cello and harp without conductor: short and bittersweet, built around a series of ostinati, darkly ruminant, lighter and gently snapped, then lilting, before the shadows return. Church congregations in Cuba may have been the original inspiration: but the result would make a really good soundtrack for a late night mystery movie.

Covent Garden

Don Giovanni

by MAX LOPPERT

The Royal Opera has discovered a novel way of concluding its current season. The first Mozart Festival, lasting almost three weeks, takes as its point of departure the three Da Ponte operas — a new production of *Don Giovanni* (sponsored by Commercial Union Assurance) interspersed with revivals of *Figaro* and *Così*, all conducted by Colin Davis. Around the opera performances are grouped chamber music concerts, some in the house and some in the neighbouring piazza, and Mozart talks; in a festival programme book (produced in association with the Musical Times) a shapely group of essays has been collected; next week, promenaders take over the stalls of the house.

In theory, the innovation has great merit — above all, that of attempting to remove from the shadow of opera-house routine three of opera's central creations. But the practice is in the performance. Monday's festival opening launched the new *Don Giovanni*: the occasion, less than triumphant, seemed to place under a cloud the whole enterprise. The simplest of the many dissatisfactions to which the evening gave rise concerned the standard of technical preparedness of the performance. This did little credit to a self-proclaimed centre of international operatic excellence. Cloths dropped askew, sets clanked, the lighting was stiff at the joints, orchestra and stage fell out for long stretches. It was hard to divine the exact degree to which a messy presentation contrived to obscure the putative virtues of Peter Wood's production.

Mr. Wood, famed in the theatre world, and excoriated in the opera for a deplorable Glyndebourne *Entführung* last summer, has collaborated on his second Mozartian venture in this country with the set designer of the first, William Dudley. In the look of the production, and in its relationship of visual and dramatic characteristics, can be discerned the essential incoherence of a *Don Giovanni* conventional to the core but gimmicky in outline, devoid of startling intellectual ambition (which may comfort some lovers of the opera), devoid no less of a convinced, strongly argued view of the drama and its characters (which will infuriate others).

The basic set, which is reshaped for each scene, is a bipartite structure of triple-tiered classical arcades, framed by movable porches. The classical style finds an echo in the music, and to certain scenes it lends an apt grandeur of vista. But it chimes uncomfortably with most of the additive properties, the *trouvailles*, with which the producer and designer attempt to make their particular mark—a Giorgionesque backcloth landscape, a wine-press and barrel, a graphic set of spikes on which the Commendatore is impaled, a ladder for Masetto to climb. The effect, increased by David Walker's unremarkable costumes, is of a patchiness of intention. Some quite difficult things in a notoriously difficult opera come off. Many don't; and there is no predicting, from one scene to the next, what will and what won't. The full dimension of the stage is seldom taken advantage of, the edge of the proscenium arch too often reclined against.

The characters jerk along from scene to scene, their glorious progression around the fixed point of Giovanni reduced to fits and starts. Instances abound of irritating embellishment (Giovanni stays to overhear more than one conversation; a strolling mandolin-player accompanies his serenade onstage); of behaviour stagey and larky, not "real" or credibly observed in any social or psychological sense (Giovanni greets the *vezzose mascherette* from a supine position on the floor; he tosses Zerlina like a sorting office parcel to Masetto); of jokes instead of comedy, and melodrama as a substitute for gathering tragic power.

The production goes most startlingly wrong in the matter of Elvira, and Kiri te Kanawa's lovely performance suffers the consequences. Moliere's Elvire, the most important ancestor of Mozart's, was a nun enticed from a nunnery. Mr Wood's is a Lady Pirate in calf boots and silver earrings, who hitches up her skirt in her entrance aria and sashays extravagantly across the stage. Later, notably during "Mi tradl" (of which the soprano gave a poised and graceful account), the behaviour becomes more seemly; but by that stage the damage is done. Mr Wood evinces at no point any real feeling for the paradox-rich *Don Giovanni* magic—the lightning flashes and bursts of sunlight, the radiant and disturbing exchanges of laughter and tears, diluted on the Royal Opera stage to triviality.

This is, I believe, Ruggero Raimondi's 16th production of Don Giovanni. Though the demonic grandeur of the character is played down, a more dashingly attractive man is allowed to emerge than is usual today; but Mr Raimondi should not have countenanced the displays of vulgar manners than betray the producer's inadequate comprehension of the character. The voice was clear but lacking in smoothness; the tones of silky seduction which the singer can command were not to be had on Monday. None of the participants familiar to the house—Mr Raimondi, Gundula Janowitz as Anna, Stuart Burrows as Ottavio, an unusually mousy Leporello from Richard Van Allan—seemed in best voice, though Miss Janowitz, by contriving a degree of distance from the proceedings, established her usual distinction. (The florid section of her second aria is played before a drop, as a concert piece, almost as though Mr Wood believed, with Berlioz, that in it Mozart declines into mere showiness.)

A new Zerlina from Finland, Merja Wirkkala, made little impression—to go abroad for an ineffective Zerlina when this country bursts its borders with lively exponents of the part takes some explaining. John Tomlinson's Masetto and Gwynne Howell's sonorous singing of the Commendatore were among the good things of the evening. Colin Davis's conducting seldom finds its fullest ease on awkward first nights; but I can hardly remember another Davis first night when control of pace and dramatic tension went soggy so often, or when the art of accompanying a singer seemed such an anxious business. Was it the conductor or the producer, or both in conspiracy, who encouraged the entire cast to fracture the delivery of recitative so painfully? "Quegli" (long pause) "è il carnefice" (break-off with a snarl) "del padre mio!" (quick gabble to the end) was *only* the most dislikeable of many examples. If the search was for "meaning," it has failed, lamentably.

Boost for Courtauld

The Courtauld Institute in London will have its already fine collection of paintings augmented by masterpieces from the Princes Gate Collection from July 17. The Princes Gate Collection was assembled by the late Count Seilern and includes works by Cezanne, Claude, Degas, van Dyck, Manet, Rubens, Tiepolo and Tintoretto as well as some very important Old Master drawings.

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The return of merger mania

THE decision by Du Pont to pay about $7bn for the oil and coal company Conoco is only the latest and largest event in a year which has already produced an eye-opening succession of substantial take-overs in the U.S. Some may detect a feverish feel to the Du Pont move, as though heavyweight amalgamations are emerging again as an end in themselves, rather than remaining an exceptional means of implementing corporate strategy.

Atmosphere

Although large mergers have been announced at a record rate in 1981—there were 25 deals in the U.S. involving more than $100m each in the first quarter alone—the atmosphere has so far remained different from the heady days of the late sixties and early seventies. That was a time when the accumulation of profits and sales by random purchases of diverse businesses appeared a legitimate way for a company to boost both earnings-per-share and the stock market's appreciation of those earnings. The strange appeal of the ITT-style conglomerate soon faded, and has yet to return.

There have been several different themes running through this year's series of merger announcements, but most have had one thing in common: they have been motivated by corporate plans amounting to something more than pure self-aggrandisement.

Quest

The impact of technology on the financial markets triggered a scramble by companies in this sector to achieve, by way of merger, the ability to provide customers with a wide range of financial services. The largest examples here are the take-over by American Express of the broking house Shearson Loeb Rhoades, and Prudential Assurance's acquisition of the Bache group.

Then there has been the quest for new markets and technologies as established companies have sought by means of take-overs to find new sources of growth: United Technologies' purchase of the semi-conductor Mostek is an example of a very deliberate acquisition with this in mind.

Then there have been mergers to expand within an existing sector: Nabisco recently joined forces in the food business with Standard Brands. There have been more moves by European companies to establish a presence in the U.S.: Elf Aquitaine is buying its way into both the U.S. and minerals at one stroke in bidding for Texasgulf.

Standard Oil California's $4bn abortive bid for Amax, and Sohio's $1.77bn purchase of Kennecott, both epitomised moves by U.S. oil companies to cash in on a transient phase of exceptional profit in the oil industry and to diversify into other mineral businesses for the future. While presented as part of a grand design, these moves had more of a conglomerate feel to them. They begged the question whether these large sums would not have been better invested in the oil business or returned to shareholders.

The climate has certainly favoured take-over as the easy way of expressing these very varied corporate strategies. On the one hand, stock market valuations have offered heavy discounts on the underlying assets of mineral companies, and under-cut the price of new plant in the manufacturing and service sectors. It still remains cheaper for U.S. companies to buy existing capacity than create new capacity themselves.

On the other hand, the new U.S. administration has adopted a more lenient attitude than its predecessor to monopoly legislation. Mr William French Smith, the attorney-general, recently made it quite clear that he did not regard "big business as bad business." Both the Justice Department and the Federal Trade Commission are having their anti-trust divisions reined in.

Convincing

So long as market competition is preserved by official scrutiny, we agree that the quality of a company need not vary inversely with its size. But the record of corporate success through merger is far from convincing. Stock market scepticism must continually oblige managements to justify large outlays for other companies to their own shareholders and employees. A merger must form a completely convincing part of a plan for the future.

The danger with any merger wave is that it may become a self-justifying fashion both for managements and for their investment bankers. It is certainly remarkable that Du Pont, a sober and well managed company, should leap to the aid of Conoco in the latter's efforts to elude the advances of Seagram; the industrial arguments so far presented look unconvincing. Large-scale opportunistic takeovers have a poor record of success.

A signal for the markets

THE ACTION by the Bank of England this week to secure a rise in short-term interest rates, in order to steady sterling in the exchange markets, seems to have made a disproportionate impact. The securities markets in London have reacted almost as they might to a crisis rise in official rates, and some commentators seem to detect a radical change in monetary policy. Like a great actor on the stage, the Bank seems able to make the audience shudder at its lightest breath.

Triggered

The truth, as so often, is a good deal less dramatic. Exchange rate considerations have not suddenly reappeared as a consideration in monetary policy; they have never been wholly absent. Indeed, in one sense we are back in a very familiar world. The late Professor Harry Johnson once demonstrated that every important change in monetary policy between the early 1950s and the mid-1960s was triggered by events in the exchange markets, and that is also partly true of the last 12 months. The successive cuts in MLR were designed primarily to relieve upward pressure on sterling, some of them against the apparent needs of domestic policy, and this week the process has been modestly reversed.

However, an occasional reaction to market pressures is a very different thing from the adoption of an exchange rate target. In the interval between the last two policy actions, sterling has been allowed to fall by more than a tenth on the effective rate, and by nearly a quarter against the dollar, which would imply a target so broad that it could hardly be missed. The truth is that sterling is still floating, but even a vessel freely afloat in turbulent water sometimes needs to be steered in response to the waves. This week, the authorities gave what appears initially to have been a highly successful signal. We are not prepared to let sterling sink without limit.

It is still worth considering, however, how far this policy should be pushed should conditions remain adverse—after all, there was an apparent respite in the decline of the pound very recently. At present the official statistics suggest that the underlying domestic monetary position is sound, though this is largely guesswork, and in theory effective monetary restraint should stabilise the pound. However, the private sector balance of payments is also a strong influence, and here we have no information at all.

Broadly, it seems likely that while relative interest rates largely explain the strength of the dollar against all other currencies, the special weakness of sterling, which has fallen against non-dollar currencies as well, is a simple reflection of the cycle. The huge rundown in industrial and commercial stocks in the last year was reflected partly in a quite abnormal current account surplus—a strength which also attracted foreign capital inflows. The effect on the exchange rate was partly but not entirely offset by outflows of UK investment capital, taking advantage of a very favourable exchange rate. With the rundown of the stock cycle, some or all of these flows may have been reversed.

Pressure

A volatile exchange rate is a necessary counterpart of such dramatic current and capital flows, even if it helps at times to provoke the drama, and while the basic readjustment of the UK economy to oil and competitive pressure is continuing, policy must be largely accommodating. An occasional signal to the markets that the Government does set some limits is desirable, but any attempt to stabilise rates, and especially the dollar rate, would probably be self-defeating.

While the Government is naturally concerned with the inflationary implications of a weak pound, there seems no reason for panic at this level. Industry clearly still feels that it is under heavy competitive pressure, and it is this pressure which will in the end change behaviour—and already seems to be doing so.

BRITAIN AND THE EMS

Time to think again

By Peter Riddell and Anatole Kaletsky

There are plenty of British industrialists who yearn for the days when they could know with reasonable certainty one, two or even six months ahead what the sterling exchange rate would be. But this predictability has disappeared in the last decade, especially over the last two years. Last year the problem was too strong a pound. Now the concern is with too rapid a fall. The result is that the British Government is taking another look at its exchange rate policy because of concern about what a falling pound could do to hopes of achieving a single figure inflation rate. So far these fears have mainly been reflected in an official willingness to permit a rise in UK short-term interest rates. The search for stability is likely to lead to a renewed debate about mechanisms which offer greater stability like the European Monetary System. This in turn raises wide-ranging questions about the merits of floating versus stable exchange rates, and about the conduct of monetary policy.

First, what is the European Monetary System?

At present the EMS is a framework for linking and stabilising the exchange rates of the member countries of the EEC (all 10 minus the UK and Greece). There are clear limits on the extent to which the exchange rate of one country can diverge from that of another. The margin is 2¼ per cent for all except Italy where the limit is 6 per cent.

In addition there is a restriction on the margin of fluctuation from the average of all EEC currencies. If either of these limits is threatened there are obligations on members to intervene in foreign exchange markets to hold down or support the affected currency and, if necessary, to change fiscal and monetary policy (for example, by raising interest rates).

The EMS was proposed in 1978—and finally launched in March 1979—for a variety of reasons.

What would happen if Britain joined the EMS tomorrow?

Sterling would be locked into a firm relationship with the D-mark, the French franc and other EMS currencies. So all businesses trading with Europe, or facing European competitors in world markets, would be able to stop worrying about frequent, sudden exchange rate fluctuations. But joining the EMS would do nothing to set limits on the pound's movement against the dollar or the yen.

So the EMS would not necessarily help importers of raw materials (which are priced in dollars). Nor, if the dollar continued to strengthen, would it help the Government with the fight against inflation.

Worse still, some businesses trading with the EEC (accounting for over 40 per cent of UK exports) would be crucified if Britain joined the EMS at the present exchange rate of around DM 4.5 to DM 4.7 against the pound and corresponding exchange rates for other currencies. This is because some exporters have held on to European markets, even though they could make no profits at current exchange rates, on the assumption that sterling would sooner or later fall — many industrialists mention DM 4 as the sort of level that they hope for.

But could circumstances change to make EMS membership more attractive?

If the Continental currencies were to rise quite sharply against the dollar, then sterling could be slotted into the EMS at a parity which exporters to Europe did not find too uncomfortable. Importers of raw materials and British consumers would then benefit from further rises of the EMS against the dollar.

But even if currencies were to move in such a way as to make EMS membership more comfortable for Britain in the short term, there are some parts of the economy which would benefit from being tied to other currencies, such as the dollar or yen. For example, Chemical and aerospace manufacturers would start complaining again if joining the EMS were to drive sterling up against the dollar, since their competitors tend to price in dollars.

There can be no objective answer to the question of what currency block it would be best to belong to. But the EMS is the only one on offer and it does cover most of Britain's biggest trading partners. The question of membership thus boils down to the principle of whether it is better to be linked to other currencies at all, or to let the pound float freely.

Why did Britain decide against linking sterling with the other EEC currencies in 1978-79?

A mixture of political and economic reasons. The Callaghan administration was reluctant to reopen all the Labour Party's divisions about the EEC so soon before the election. In addition, there was also a belief that sterling would not fit in with the other currencies because of the UK's different pattern of trade and capital flows compared with the rest of the EEC.

The incoming Conservative Government in May 1979 decided to maintain a wait-and-see attitude, partly because of a preference for domestic monetary targets and for freely floating exchange rates. There was also an increasing feeling that sterling might be inherently too volatile to be linked to other EEC currencies in view of both petrocurrency pressures and the impact of the abolition of exchange controls.

British economists of many differing theoretical persuasions held that the EMS was unlikely to live up to its founders' expectations, whether Britain joined it or not. The "snake," which had linked the currencies of Northern Europe to the D-Mark, had fallen apart after a spate of ever more desperate realignments between the currencies. It looked likely that the EMS "supersnake," which would have to contend with the additional and much larger problems of France and Italy, would be an even more unstable creature.

Membership of the EMS, or any other fixed-parity agreement, limits the freedom of manoeuvre of individual governments.

How does EMS membership constrain domestic economic policies?

Under EMS rules an economy which is expanding too rapidly in relation to the other members has to be reined in by its government. This is because an excessively buoyant economy tends to suck in imports or generate inflation, or both. If imports rise, the current account eventually moves into growing deficit. If inflation exceeds that of other member countries, then capital tends to move out of the country, other things being equal. Either way, the exchange rate comes under pressure unless the Government does something about it.

At the very least, the Government has to spend reserves on supporting its currency. Since this is unlikely to prove effective in anything but the short-term, the Government has to raise interest rates or deflate by means of fiscal policy in order to prevent its exchange rate falling.

On the other hand, countries with appreciating currencies have to cut interest rates or sell their own currencies in the exchange markets so as to keep their parities down. These measures will tend to boost the domestic money supply, and could fuel inflation indirectly. More directly, a government which renounced a strengthening exchange rate loses a powerful weapon against inflation.

Does it matter if EMS membership limits the Government's options?

No government likes to give up its autonomy and the Callaghan Government, which was in power when the EMS was created, was particularly sensitive about appearing to hand over powers to Europe. In fact, however, the argument about autonomy is somewhat spurious. Since the old fixed exchange rate system broke down, no government has allowed its currency to float completely freely and balance of payments constraints have continued to worry economic policymakers. More importantly, the rise of both inflation and unemployment has left governments with little freedom of manoeuvre in any case.

In Britain, Mrs Thatcher's Government has replaced Mr Callaghan's. It is perhaps less suspicious of all things European, but it is even more committed to following a monetary and fiscal policy of its own choosing. Two years have elapsed since exchange controls were abolished, so potentially destabilising flows of long term capital have perhaps settled down, but short term capital movements in and out of Britain have been enormous.

Britain's pattern of trade has continued to move steadily towards Europe (41 per cent of all trade is now with Europe, compared with 32 per cent in 1973) and oil output has now increased to about the level that will be sustained throughout the 1980s.

Most importantly, Britain's decision to go it alone and maintain complete autonomy over monetary, fiscal and exchange rate policy has led to results very different from the ones that most people expected in 1979, partly as a result of the oil crisis.

It may seem extraordinary in retrospect, but when the EMS was started and Britain decided to stay out, sterling was widely expected to fall against the EMS currencies, linked as these were to the mighty D-Mark.

How has the EMS worked in practice?

The system has not fulfilled its original objective of reducing inflation rates. Indeed not only is the average EEC inflation rate higher than in 1978—around 11½ per cent against 7 per cent—but there is also a much wider divergence within the EEC. In 1978 the range was from 2.7 per cent in West Germany up to 12.1 per cent in Italy, now the spread is from 5¼ per cent in West Germany up to over 20 per cent in Italy.

But has not the exchange rate mechanism worked rather better than initially expected?

Yes, but. There has admittedly been only one major realignment of all currencies (and two adjustments of individual exchange rates) since March 1979. This may owe more to exceptional and possible temporary external influences than to the existence of EMS.

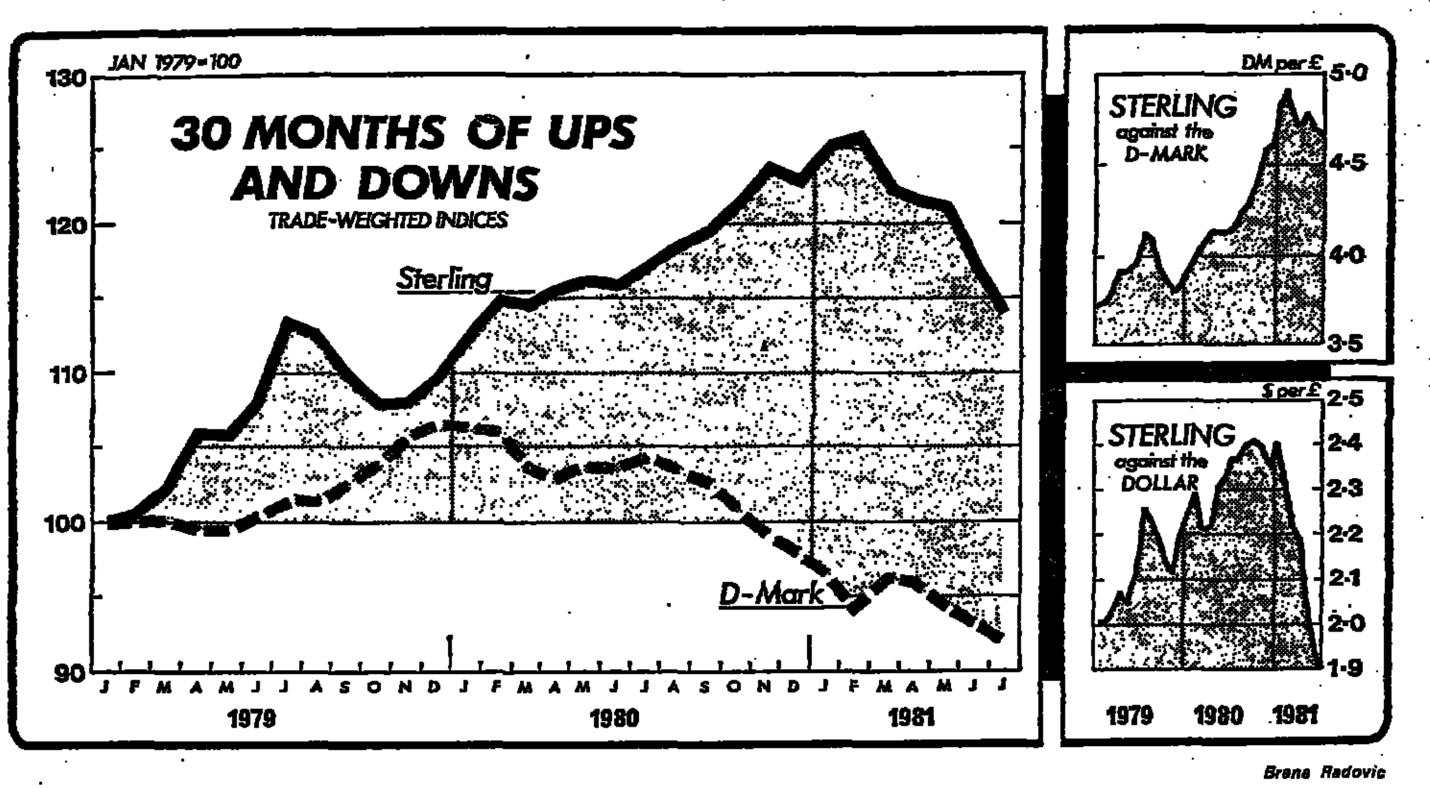
Since the end of 1979 the dollar has risen sharply and the D-Mark has been unusually weak, mainly because of the record West German current account deficit.

The accompanying chart shows how the D-Mark's trade-weighted index, measuring its average value against other currencies, has still fluctuated sharply despite the stability within the EMS. This stability could be threatened if the West German current account deficit falls and the D-Mark recovers against the dollar. This may renew upward pressures on the D-Mark within the EMS: indeed in the last few months both the French and the Belgian authorities have had to increase their interest rates and to intervene heavily to keep their currencies within the limits of fluctuation.

Is the attitude of the British Government changing?

There are no public signs of a shift in attitudes so far. The official view remains that sterling will join the exchange rate mechanism when conditions are right but they are not yet. This mask disguises a wide difference of opinion. The Foreign Office has always favoured full membership largely for political reasons associated with strengthening the UK's position in the EEC. The Bank of England has been favourably impressed by the workings of the EMS so far and has become more sympathetic to stable exchange rates. But Treasury officials have been highly sceptical and ministers have also been opposed.

The position could change for two reasons. First the UK presidency of the EEC Council of Ministers in the second half of this year may lead to a general review of the question. Second, the desire for a more stable pound could make EMS membership appear an attractive way of maintaining financial discipline and downward pressure on inflation, especially as domestic monetary targets have become somewhat tarnished by the problems of the last two years. There are, however, still plenty of hurdles to be overcome before full membership even looks possible. But the issue is no longer quite as dead as it looked even two or three months ago.



Brena Radovic

MEN AND MATTERS

Chemical change

Twenty-four hours after Du Pont's $6.8bn takeover bid for the Conoco oil group, U.S. industrialists are still rubbing their eyes in sheer disbelief. The sight of a dozen bankers cartwheeling down Wall Street could not have caused more incredulity.

The Wilmington-based chemicals giant has long cultivated an image of quiet, solid conservative respectability in contrast to some of its more fast-moving, sharp-nosed competitors like the Dow group. And when Edward Jefferson took over the Du Pont chair from Irving Shapiro two months ago, the company seemed to have picked a man in its traditional mould: dignified and conventional.

Born and educated in England, Jefferson appeared, when I met him in May, to personify all that was meant by "a stiff, upper lip" far more than any City gent who has never left the Square Mile. His clipped accent has only been thinly overlaid with those drawling American vowel sounds.

In contrast to Shapiro—who trained as a lawyer and gained a reputation as an able manipulator, adept at dealing with all the outside agencies that impinged on Du Pont's business—Jefferson has an academic background. He got a doctorate in physical chemistry at King's College, London, and he has always been a strong supporter of Du Pont's research effort.

Yet this was the man and the company which stunned the oil and chemical industries on Monday. One leading U.S. industrialist I spoke to kept repeating: "Are you sure it's true . . . are you sure?"

Once he had accepted the fact, he reflected: "It would never have happened under Shapiro. That's not a criticism of Shapiro—he's a very clever man. But definitely East Coast establishment. I just don't think it would have happened if he had still been chairman."

The guess is that Jefferson may be keen to do something about Du Pont's shares which, like everyone else's, fell in 1976, and have never really recovered. Du Pont, it is said, has been "a sleeper" for the past five years. "Not much has been happening there."

Fascinating to see what happens to the shares now. Jefferson certainly knows the business. And, as they say, it's always the quiet ones . . .

Gunning for Colt

Colt International, the Havant-based heating and ventilating company, has been generating much huffing and puffing up and down the country with its advertisements.

The Advertising Standards Authority reports today that after complaints about six ads during the past 12 months, protests have again been rolling in from places like Chalfont St Peter and Cheadle Hulme about another Colt ad headlined: "Conclusive proof that God is an Englishman."

Readers of the Daily Telegraph who came across it, objected strongly. "Deeply offensive to Christians, harmful to race relations . . . and in appallingly bad taste," they said. The ASA did not uphold the complaints, saying there had been no breach of advertising code of practice. But it noted with approval Colt's "good sense" in withdrawing it.

Colt's advertising manager Ron Hastie explains: "We always try to produce advertising that is relevant and that means treading a delicate line. Complaints have usually been from minorities who have been offended. None has ever been about false claims for our work."

Clean break

After noting yesterday the merchant banker turned plumber, I learn of an American securities broker who has enjoyed a far more bizarre mid-life change. Bob Grace, once of Park City, Utah, and now living in a flat over a funeral parlour in New Jersey, has decided to devote himself to the cause of cleaning the Statue of Liberty.

"It is a beautiful monument taken for granted, a treasure left untouched," says Grace of the statue in New York harbour, whose copper exterior has oxidised into a green patina. The monument will celebrate its centenary in three years' time, and Grace would like to see it burnished back to its original colour by then.

Grace has set up a fund, the American Foundation for the Restoration of the Statue of Liberty, but it can take no donations until the project receives official approval. David Moffitt, superintendent of the Statue of Liberty National Monument, says the official attitude is "negative," at least until there is evidence that a cleaning could not prove detrimental to the statue.

It should be pointed out that, despite his years in brokerage, Grace is not without relevant experience for his self-appointed task. He once scrubbed an 8-foot copper statue in Chicago's Lincoln Park. The Status of Liberty is a little taller, mind you—151 feet—and Grace reckons the job would take six months and cost $4m.

Running total

"All business is obviously not dirty business," says Nicholas Chamberlain, totting up the toiletries that have been expended on his clients at Slim Jims, the City gymnasium, which yesterday celebrated the 10th anniversary of its opening in London Wall.

Chamberlain reckons in that time his members have performed some 650,000 circuits of the gym and afterwards . . . washed themselves down with 1.7m grams of soap and 2,500 litres of shampoo, dried out on 900,000 towels, sprayed themselves with 975,000 grams of anti-perspirant, sprinkled their heads with 1,000 litres of hair tonic and slapped a similar amount of after-shave on their chins before departing, fit for the office.

Tail-end

A Turf-loving colleague recollects something of a misunderstanding which overtook him during Ascot week. As he sat down poorer but not wiser in the railway carriage on the way home from the races one day, an old lady came over and shook his hand. "I want to tell you," she explained, "how glad I am to meet somebody who is kind to animals." "I would hardly claim, madam," replied my colleague, "that kindness to animals is one of my most prominent qualities." "But it is," pressed the lady. "I heard you say as you got into the train that you had put your shirt on a bleeding animal which had been scratched."

Observer

Michael Donne, Aerospace Correspondent, reports that Britain's aerospace industry is busier than ever after the defence review

The £1.5bn silver lining behind the cuts

BRITAIN'S aerospace industry is busier than ever after the Government's recent defence review. It now has a programme of new work worth well over £1.5bn on military aircraft and missiles through the 1980s, with the possibility of more to come.

The aerospace industry is already extremely busy on civil and military work. The total backlog of orders at British Aerospace is close to £3.5bn for civil, military and space activities; at Rolls-Royce it is nearly £2.2bn; and at Westland nearly £500m.

The figures may see high, but aerospace products are costly (a Tornado costs between £11m and £14m according to type), and order books can be worked through quickly. A regular high inflow of orders and new projects is essential to keep the 200,000 labour force fully employed, and to sustain the expensive research and design teams on which the industry's long-term future depends.

The top priorities in the review, after the purchase of the Trident nuclear missile system for the UK deterrent, were reaffirmed in yesterday's Commons Defence debate. They are the strengthening of the air defence of Britain, the upgrading of RAF Germany (and offensive air support in general), and improving air support for the UK and Nato navies.

As a result, the RAF's extensive re-equipment programme, built round the Tornado multi-role combat aircraft, has been essentially preserved. The UK will continue to buy up to 385 Tornado aircraft (although within that total there may now be some adjustments in the numbers of strike and air defence versions acquired). This programme is worth well over £5bn in terms of production costs alone.

The additional £1.5bn or so of new work for the industry stems from the specific new aircraft and missile procurement decisions. These may not necessarily substantially increase the present 200,000 volume of employment in the aerospace industry (although there is already a demand for more highly skilled personnel). But they will ensure continuity of employment throughout the main companies for many years ahead.

The companies that will mainly benefit include British Aerospace itself, the biggest organisation in the aerospace industry; Rolls-Royce, for military engines such as the RB-199 for the Tornado and the Pegasus in the vertical take-off Harrier; Westland Helicopters, on the EH-101 Sea King replacement; and Short Brothers and Hunting Engineering on various missile programmes.

The associated electronics and equipment companies, such as Dowty Group, Ferranti, Lucas Aerospace, Marconi, Plessey, Smiths Industries, can expect some share of the work. About one-third of the value of any new aircraft is accounted for by avionics and other equipment, while the percentage is substantially higher for missiles.

The most significant new procurement decision is the purchase of 60 of the advanced AV-8B Harrier vertical take-off aircraft to replace the existing aging Harrier force, which has been in service for well over a decade.

The UK's choice was either to acquire the AV-8B, jointly developed by British Aerospace and McDonnell Douglas of the U.S. (in conjunction with Rolls-Royce and Pratt and Whitney) or to develop alone the alternative all-British Mark 5 "big wing" Harrier.

The AV-8B, however, is already being developed by McDonnell Douglas, to meet an anticipated eventual requirement of 336 aircraft for the U.S. Marine Corps (and possibly even more if the U.S. Navy decides to buy also).

This promises a long development life, with substantial production runs, that could never have been achieved with the Mark 5. The AV-8B also has been modified so that it now fully meets the RAF's requirements.

Already, British Aerospace is building parts for an initial 12 AV-8Bs, and the recent U.S. Budget provided $888m for continued AV-8B development and initial production. Rolls-Royce has already delivered to the U.S. from its Bristol factory improved Pegasus engines for the AV-8B programme.

Under the terms of the Memorandum of Understanding between the UK and U.S. Governments, now being negotiated in Washington, it is expected that British Aerospace will get between 30 and 40 per cent of the work on the airframes for all the AV-8B Harriers, including the 60 for the RAF and the 336 for the Marine Corps, while Rolls-Royce will get up to 75 per cent of the work on the engines.

The value of the Harrier deal has been put conservatively at "over £1bn," for the UK, but it is certain to be substantially greater.

Moreover, the AV-8B deal ensures for the UK a substantial share in the follow-on development of the aircraft. Already, work has been undertaken by British Aerospace and McDonnell Douglas on the feasibility of an eventual supersonic vertical take-off fighter, with the idea of adapting an AV-8B as a "supersonic technology demonstrator." This will not interfere with the AV-8B programme itself, however.

Another advantage of the AV-8B deal is that the UK will get a share of all sales to third countries, which could be substantial through the 1980s.

Apart from the AV-8B, British Aerospace also benefits via its Dynamics Group from the decision to buy new missiles. The Tracked Rapier anti-aircraft weapon is being acquired in a £160m deal to improve the British Army of the Rhine; an initial production contract believed to be worth about £20m (out of a total research, development and production cost of £200m) has been placed with the Dynamics Group for the Sea Skua helicopter-borne anti-ship missile; and a production order of undisclosed but substantial size is to be placed for the bigger Sea Eagle anti-ship missile for use on Buccaneer and later also Tornado strike aircraft. Air-to-air missile stocks are to be doubled.

British Aerospace is also modifying nine VC-10 transports into aerial tankers for in-flight refuelling to support the RAF in its air defence role, at a total cost of about £131m. Some of the 14 VC-10s surplus to British Airways' requirements and recently bought by the RAF may also be modified to the tanker role, although they are largely intended to provide spares to keep the existing tanker and transport force flying through the 1980s.

One decision not taken in the defence review, but which cannot be postponed indefinitely, is that for a Jaguar strike fighter replacement.

Earlier efforts by British Aerospace to reach agreement with the French and West German industries and air forces on a joint European Combat Aircraft (ECA) came to nothing because of difficulties over timing and differences of view as to what sort of aircraft it should be.

Subsequently, British Aerospace has developed a number of private-venture ideas for new combat aircraft, in conjunction with companies in the UK equipment industry (Ferranti, Smiths Industries, Marconi and Plessey), including the P-110 design for a multi-role, twin-engined fighter.

British Aerospace is believed to have discussed collaboration on this project with Saudi Arabia and Jordan with a view to achieving sales in the Third World in the late 1980s and beyond. This venture would clearly be a major contender for any eventual Jaguar replacement in the UK.

Another of these private BAe ventures is the P-106, a light, single-engined, combat aircraft design, which BAe has been discussing with Sweden and India. There is also a revised design for the ECA. No final decision has been taken, although discussions are continuing.

Another major development now under way, which will considerably boost activity at Westland Helicopters of Yeovil, is the initial phase of the big new anti-submarine warfare helicopter, the EH-101, which Westland is undertaking with Agusta of Italy. This is designed to replace the Sea King and Italian SH-3D aircraft.

A Memorandum of Understanding between the UK and Italian Governments, signed on June 12 (before the defence review details were announced), approved an initial £20m contract for the joint company, EH Industries, for work on this project.

EH Industries, set up by Westland and Agusta, has widened the original work to include civil roles for the EH-101, and the joint company foresees an eventual market for up to 750 EH-101s in its various forms, with the first aircraft expected to fly in 1985.

Among some of the smaller but, nevertheless, significant missile developments emerging from the defence review was the decision to continue work on the JP-233 anti-airfield bomb, developed by Hunting Engineering, while there will also be further developments of new missiles for anti-tank operations and for suppressing enemy air defences, which will mean further work for the BAe's Dynamics Group.

Short Brothers of Belfast had its plans for a towed version of its Blowpipe missile cancelled, but will get some work on improvements to the shoulder-launched Blowpipe weapon system.

WHERE THE NEW WORK WILL GO

	Estimated cost	Principal companies benefiting
AV-8B Harrier	£1bn plus†	British Aerospace (military aircraft division)
Improved Pegasus engine for Harrier	(included in above)	Rolls-Royce Bristol
Tracked Rapier anti-aircraft missiles	£160m	BAe Dynamics Group
Sea Skua helicopter-borne missile	£200m (a)	BAe Dynamics Group
Sea Eagle anti-ship missile	(c)	BAe Dynamics Group
EH-101 anti-submarine helicopter	£20m (b)	Westland Helicopters (with Agusta of Italy)
VC-10 tanker modifications	£131m	BAe Civil Aircraft Division
JP-233 anti-airfield weapon	(c)	Hunting Engineering
Blowpipe missile improvements	(c)	Short Brothers

† The estimated value of work going to the UK. The cost to the UK of its own 60 aircraft would be much less and is not disclosed. (a) Total development and initial production costs. (b) Initial contract only. (c) Costs not disclosed.

The four major British Aerospace military aircraft, the Tornado, Harrier, Jaguar and Hawk

Letters to the Editor

Extreme poverty

From Mr T. Renton MP

Sir,—I read with interest Samuel Brittan's article on the Brandt report (July 2) but do not agree with all his conclusions. By the end of this century, according to World Bank estimates, 1bn people will be living in extreme poverty—a staggering figure; twenty times the whole population of Britain.

That is, surely, why the world's leaders are meeting in Mexico in October.

This is a problem that will not be solved by sending food parcels to the poor and hungry nor will it be solved by new international organisations or new economic orders with resounding titles.

It will only be solved by strong-minded vision of the type that brought Marshall Aid from the U.S. to Europe after the last war. The solution will require multi-lateral aid, fewer barriers to trade, and constructive use of the excess manufacturing capacity that now exists throughout Organisation for European Co-operation and Development countries, for the benefit of the developing world.

"God sends a pair of hands with every mouth." Giving those hands, in North and South, something useful to do that will help fill the mouths of others, is the purpose of the Mexican summit.

Tim Renton
House of Commons, SW1

Increasing aid

From Mr A. Burgess

Sir,—The article (July 2) on aid by Samuel Brittan was most encouraging. I was particularly interested by his comment that "anyone who has doubts about Brandt is made to seem indifferent to poverty or suffering," as I have experienced just this response in church circles whenever I have expressed such reservations in synod or council.

The attitude which has been struck by so many well-meaning bodies ranging from the General Synod of the Church of England down (up?) has its origin in genuine concern that something should be done urgently to alleviate poverty. Unfortunately, the apparent desire of the aid lobby to stress economic ills rather than to admit that more abject poverty derives from political causes, together with the lack of a more credible positive alternative than Brandt, means that those of us who argue that Brandt is not the whole gospel—nor indeed even a very good part—sound merely negative.

If Mr Brittan and those other economic analysts who periodically express similar reservations could present a "Brittan Report" commending methods of increasing aid (as far as possible not Government to Government) for its own sake and expanding trade by dismantling trade barriers in conjunction with realistic steps to redirect the efforts of casualties (e.g. textile workers) of such openness, then they would perform a most valuable service to those of us who share their uneasiness. They might also be providing Mrs Thatcher with a useful positive contribution at the Mexico Summit.

A. W. Burgess,
Flat 6,
Stratford Lodge,
Stratford Road,
Watford, Herts.

Selling surplus tax allowances

From Mr J. Prince

Sir,—Lex, in his column on Monday, July 6, raised a very interesting thought on the possibility of selling surplus advance corporation tax and unused tax allowances. Would it not however be just as effective and in addition productive of huge staff economies if corporation tax was restricted to ACT which of course would then cease to be a payment in advance. The rate of "ACT" would not necessarily have to be the present rate nor related to the amount of tax credit to be attributed to the receivers of distributions. Double tax relief could be given against such "ACT" and the whole structure of corporation tax would be immensely simplified.

The economic argument against such simplification is the obvious deterrent to distribution but as past history has shown, any quoted company which does not make appropriate distributions would soon find itself a target for take-over. As for the, generally, smaller non-quoted companies would it not encourage wealth creation? Such a change in assessing tax payable could be restricted to corporations controlled by more than, say, 10 shareholders if avoidance by smaller companies was feared by the Treasury.

J. Prince.
10, Victoria Grove Mews, W2.

Money and prices

From Mr P. Shore MP

Sir,—I am grateful to Mr Congdon (July 6) for drawing my attention to the Treasury working paper by Simon Wren-Lewis. Mr Congdon claims that it supports the monetarist doctrines espoused by him on the Treasury. I can do no better than quote from its conclusions.

"Money appears to be important, but it is certainly not the only variable that may be significant in determining prices, particularly in the short-term. Not only do other variables contribute to the explanation, but they also alter the estimated effects of money as a result. Simple money only reduced forms may therefore not only neglect other important determinants of inflation, but may also give a misleading view of the role of money in explaining prices."

Mr Congdon's second paragraph is, of course, a simple "money only" reduced form of this type.

Peter Shore,
House of Commons, SW1.

Housing in Ulster

From the Chairman, Northern Ireland Housing Executive

Sir,—In your leader (July 3) headed "Timidity in Ulster," you said that until a political solution is found, "the religious divide and the discrimination in housing and education will continue."

Someone else, better qualified than I, can speak for education: but your comment on discrimination in housing was unfair. The Northern Ireland Housing Executive was one of the reforms, and not the least successful, introduced in 1971. We have a non-sectarian Board, a mixed staff, a very strict points scheme governing all allocations, and a record of some considerable success. Later this week we hope to hand over the 50,000th new dwelling completed in the 10 years since we were established.

I hope that, on reconsideration, you may agree that discrimination in the field of housing—as opposed to segregation—is not today a factor in the continuing problem of Northern Ireland.

C. E. B. Brett.
Northern Ireland Housing Executive.
The Housing Centre,
2, Adelaide Street, Belfast.

Business names

From the Press Officer, Law Stationers Association

Sir,—May I strongly endorse and support the suggestion by Elizabeth Stanton (June 27) that registration of new business names could be enforced through the VAT machinery. One of the Government's main reasons for wishing to abolish the Registry of Business Names is the difficulty of enforcing registration of particulars of new businesses and the inevitable changes during the life of a business (addresses, partners, etc).

If the Government is sincere in its claim, and however committed it is to closure, let it say why the solution to the enforcement problem cannot lie in a simple restructuring of VAT procedures. Granting VAT registration could be made conditional on production of a business name registration certificate in appropriate cases and on each quarterly VAT return there could be provision for giving the information on any business changes registrable under the Business Names Act.

Issuing and renewing vehicle licences is made conditional on producing an insurance certificate as an effective way of enforcing third party motor insurance. Why cannot the same principle be applied to the registration of business names? There is widespread support for retaining the Registry as a vital institution for the public good.

Assuming different branches of the civil service speak the same language and can communicate, the principal defects of the Registry could be remedied. And of course an increase in the initial registration fee of a 1916 pound to its 1981 equivalent would help to make the Registry self supporting and not a charge on the public purse.

Alec Just,
Law Stationers Association,
15, Pembroke Road,
Bristol.

Oil production licences

From Mr C. Drury.

Sir,—The Government's proposal to British Gas that it should sell its 50 per cent interest in the still not fully developed Wytch Farm oilfield has reportedly been accepted.

As a consequence Mr. Howell has given himself a unique opportunity to live up to his pre-election and pre-seventh round pledges to do everything that he reasonably could to create a climate within which British "junior" exploration companies might thrive and grow. The purpose of this, he was then saying, was that a much larger number of such British companies would have a real opportunity to emulate their mainly Canadian or U.S. based rivals and thus give British expertise in this crucially important field a much greater depth and flexibility than it had ever had before. It is obviously the case that this will be more quickly and easily achieved in the physically and financially less hazardous conditions onshore than in the North Sea.

Over the past few years independent companies have, in the face of sometimes widespread scepticism, been very active in building up acreage positions onshore in the UK and have spent several millions of pounds on siesmic surveys, exploratory drilling and what might loosely be termed "environmental liaison." So far, the results, while encouraging, have been slower to come than the companies involved would have liked. Mainly this has been caused by an apparent lack of urgency by the Secretary of State's own department which, while handing out exploration licences fairly freely, has been notably ponderous in dealing with the issue of the all-important production licences without which the companies are unable to drill deeper than 350 metres.

The consequent lack of regular activity has had a dramatic and wholly adverse effect on the cost of such onshore drilling as has taken place because the drilling companies and those providing complementary services have had to allow for the large amount of idle time to which equipment can frequently be subject. As a result the cost of drilling a 6,000 foot well onshore-UK is three to five times that prevailing in North America.

That the companies have persevered with demonstrable vigour shows conclusively that just the sort of entrepreneurial drive which Mr Howell once spoke so frequently and forcefully about encouraging is there for the nourishing.

In persuading BGC gracefully to sell its interest in Wytch Farm, Mr Howell has taken a most praiseworthy political initiative. This should now be matched by the equally sound objective of ensuring that his department creates a structure for the disposal which will give the greatest possible scope to enabling those independents and their partners which have done and spent the most to open up the UK onshore to buy BGC's 50 per cent stake.

It is difficult to imagine how, in one fell swoop, more could be done to achieve the wider and highly desirable objective to which Mr Howell has referred so often, especially if the members of BGC's top flight exploration team who found the lower reservoir at Wytch Farm were to go to the same home!

Charles Drury.
c/o Micro Marine,
5 St Helen's Place, EC3.

Today's Events

GENERAL

UK: National Union of Mineworkers conference debates Vale of Belvoir coalfield proposals, Jersey.

The Queen visits the Royal Show, Stoneleigh.

Lord Thorneycroft, Conservative Party chairman, addresses London and Westminster Conservatives, Savoy Hotel, WC2.

Parliamentary Information Technology Committee seminar on education, training and information technology, at Institution of Civil Engineers, SW1.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, opens 12th European Congress of the International College of Surgeons, St. Bartholomew's Hospital Medical College.

Methodist conference discusses Brixton riots in special debate, Norwich.

Overseas: British and Japanese car industry leaders meet in Sapporo for talks on the car market and economic prospects.

Lord Carrington, Foreign Secretary, addresses European Parliament in Strasbourg on EEC proposals for Afghanistan.

U.S. banks meet to consider Polish debt, New York.

International Audio-Visual Equipment Exhibition opens, Singapore (to July 12).

PARLIAMENTARY BUSINESS

See Parliamentary News on page 12.

COMPANY MEETINGS

Argus Press, Pixmore Avenue, Letchworth, Herts., 11.00. Berec Group, 1255, Whetstone High Road, N, 12.00. Bishop's Store, Stonefield Way, Ruislip, Middx., 3.00. Carless Capel and Leonard, Tallow Chandlers Hall, EC, 12.00. Foster Brothers Clothing, St Johns Hotel, 651, Warwick Road, Solihull, West Midlands, 12.00. John Foster, Black Dyke Mills, Queensbury, Bradford, 12.30. Guthrie Corp., Chartered Insurance Institute, Aldermanbury, EC, 11.30. C. E. Heath, Baltic Exchange, EC, 12.00. Hoechst Finance, Salisbury Road, Hounslow, 12.00. House Property Co. of London, Eagle House, High Street, Wimbledon, SW, 12.00. London Sumatra Plantations, 100, Old Broad Street, EC, 11.30. Modern Engineers of Bristol (Holdings), Dixon Road, Brislington, Bristol, 12.00. Parkland Textile (Holdings), Parkway Hotel, Leeds, 12.30. Rowton Hotels, Mount Pleasant Hotel, Calthorpe Street, WC, 12.00. W. Williams and Sons, St Mellons County Club, St Mellons, Cardiff, 11.30.

IC Gas hit by interest costs but lifts dividend

THE COINCIDENCE of the CompAir acquisition with a period of heavy capital expenditure in the North Sea pushed back pre-tax profits of Imperial Continental Gas Association by more than £5m in the year to the end of March.

Turnover jumped from £227.74m to £402.96m and trading profits from £18.27m to £29.8m, but the group faced interest charges of £14.95m compared with interest receivable last time of £1.16m.

The pre-tax surplus was reduced from £38.35m to £33.21m after including associates' profits of £12m (£12.34m) and investment income of £6.36m (£6.59m).

The directors say the group remains strongly placed to pursue the development of its various interests and their confidence is reflected in a dividend total effectively increased from 7p to 8p with a final of 5.3p.

The profit—reduced to £19.88m (£25.7m) on a CCA basis—was subject to tax of £6.19m (£10.46m). There was an extraordinary debit of £3.03m (nil) associated with redundancy costs and reorganisation to meet changing operating conditions, and a minority loss of £7,000 (£150,000 profit).

Attributable surplus emerged at £24m (£27.74m), equivalent to a stated 18.62p (21.56p) per £1 share.

Dividends absorbed £10.31m (£9.01m) to leave a retained balance of £13.69m (£18.74m).

Referring to the decline in profits, the directors cite the economic depression in the UK and elsewhere, high interest rates, the strong pound and a mild winter which affected demand for LPG and LPG appliances.

Of the group's subsidiaries, Calor contributed a pre-tax profit of £14.23m, including a £2.9m exceptional profit on renegotiation of a lease, and CompAir a pre-tax profit of £3.2m.

Losses of Century Power and Light, the oil and gas exploration subsidiary, increased to £1.64m (£0.23m) after charging interest on financing development of the North Sea Maureen oil field. The directors say production is scheduled to start in the Maureen field in October 1983.

Capital expenditure during the year amounted to £66.5m, including £24m for Calor, £22m for Century and £8.5m for CompAir, and is likely to be between £50m and £55m in 1980/81, say the directors.

There were 200 redundancies at Calor in the year and the workforce was reduced overall by around 500 to 4,100. At CompAir there had been 650 redundancies so far with possibly more to come.

Mr. F. E. Zollinger, IC Gas chairman, says the group's heavy involvement in oil is likely to increase. He believes the Saudi price of US$32 per barrel represents a floor price. Once Opec prices have come into line, he expects Saudi production to be cut back and the oil price then to have more stability but with a built-in rising trend.

Lex, Back Page

HIGHLIGHTS

The Lex column looks at the latest trends in interest rates and the money supply, coupled with a comment on the prospects for today's offer for sale of the second index-linked gilt-edged stock. The column moves on to consider the complaints by Finance for Industry that finance for small businesses has become too generous. Imperial Continental Gas's full-year figures show how the company has been dragged down, largely due to the acquisition of CompAir. Finally Lex considers the news that Hamilton Brothers, the U.S. oil company, is about to launch an offer for sale of 20 per cent of the company to the public at a time when its main profit centre, the Argyll Field, is running down. Also on the issue news front money brokers Astley and Pearce confirmed that they intend to go public later in the year.

Marston Thompson marginally lower

ON TURNOVER of £33.23m against £30.33m, pre-tax profits of Marston, Thompson and Evershed, brewer and wine and spirit merchant, fell from £5.5m to £5.15m for the year to March 31 1981.

Earnings per 25p share are shown to have declined from 6.68p to 6.05p but the net dividend total is effectively raised from 1.625p to 1.8p with a final payment of 1.175p.

Profits were struck after a deduction for share ownership scheme £96,000 (nil) and depreciation £1.22m (£1.05m). Tax absorbed £2.06m (£2.08m), there were extraordinary credits of £383,000 (£96,000) and £2.56m (£2.68m) was retained.

• comment

Marston has been able to view the recession, if not with equanimity, at least from a position of some strength. In 1979-80, for example its historic and current cost returns on capital were better than most regionals at 13.6 and 10 per cent respectively, and some way ahead of the national brewers. The accounts will show how much these ratios have declined but, for the moment, there is some comfort in that the group has been able to limit the pre-tax shortfall to 6.3 per cent even after the share ownership scheme and exceptionally high property maintenance costs. Volume has fallen by about 5 per cent and the second half upturn has been heavily reliant on cost control and price increases. Trade has apparently picked up a little in the new financial year although the brewing industry still faces a hard slog through the remainder of calendar 1981 if not further. But Marston can probably afford a progressive dividend policy all the same. There is ample cover from stated historic earnings which does not evaporate too far on a fully taxed basis. And the last published CCA profits were 87.8 per cent of the historic level. Much of this resilience, however, is already in the price where at 69p, down 1p yesterday, the p/e is 14¼ and the yield only 3.7 per cent. Yet the shares did recover quickly from the interim setback (when profits slipped 15 per cent) and remain a good lock-up.

New investment down at FFI

Competition among lenders to supply companies with loans and equity finance had the effect of reducing new investment at Finance for Industry from £278m to £266m in the year to March 31, 1981.

Lord Caldecote, the chairman of FFI, a private investment group backed by a consortium of banks and financial institutions, says in his annual review that FFI "sometimes had difficulty in satisfying customers' aspirations for loans at what they regarded as reasonable rates."

There was an oversupply of *both equity and floating rate loan* finance, coupled with a decline in demand in some sectors as companies deferred projects during this economic climate, he states.

Finance Corporation for Industry, the subsidiary which provides loans for larger companies, lent only £45m last year, the same as the year before.

Net investment at Industrial and Commercial Finance Corporation, which specialises in smaller companies, was down by £9m to £96m, although the number of companies serviced *rose from 920 to 1,014.*

"Ironically," says Mr. D. E. Marlow, general manager of ICFC, "the economic climate favoured small companies started up." ICFC invested in 417 new businesses, a 40 per cent increase on the previous year.

The leasing division invested £106.6m (£84m), although Highland Leasing, the agricultural arm, was sold halfway through the year. Shipping finance added £34.3m (£30m).

The economic climate took its toll of investments, with failures rising from 47 to 144 and provisions charged against bad debts, before tax, rose correspondingly from £13.7m to £16m, the increase coming in general rather than specific provisions.

Pre-tax profits for FFI as a whole, however, rose by 10 per cent to £31m. Separate figures *were also published yesterday* for Ship Mortgage Finance, another subsidiary, which showed that pre-tax profits rose from £1.66m to £5.15m.

Group earnings per share rose from 15.6p to 31.7p partly as a result of a favourable change in tax assessment. Dividends increased by 10 per cent to 5.5p.

The book value of FFI's equity portfolio of unlisted companies was £54.9m (£46.9m) and the share of profits, less losses, from these investments amounted to £26.8m (£27.3m). Dividend income, however, rose *from £5.7m to £7.1m.*

FFI is currently highly liquid, the group confirms, and has no intention of going back into the eurobond market at present while the market remains volatile. Last year FFI raised $30m through a eurobond issue.

Rediffusion Ltd ready for heavy spending

HAVING considerably reduced its loans *Rediffusion*, the television rental and electronics group, is in a reasonable position from which to finance future growth. A heavy investment programme lies ahead of this BET subsidiary, says Mr Hugh Dundas, the chairman, in his annual statement.

Though growth in television rental business has dried up the group still sees the television set remaining at the centre of its business. The company's experience will continue to be in demand in relation to a wide range of video and other services additional to the reception of broadcast programmes, he says.

As known taxable profit for the year to March 31 1981 rose from £17.12m to £19.24m on turnover of £248m (£219m); including exports of £42m (£31m).

Of the current year Mr Dundas says: "Profits have begun to move in the right direction and I shall be disappointed if that movement is not continued."

Authorised capital spending at year end stood at £24.2m (£26m). The reduction in net borrowing was £20.95m (£6.83m) with short-term loans and overdrafts at £9.77m (£26.91m).

Meeting, 116, Pall Mall, SW, on July 31 at 12.15 pm.

Lonsdale declines to £165,000

PRE-TAX profits of £165,000 are reported by Lonsdale Universal, industrial holdinug company, for the six months to March 31, 1981. This compares with £712,000 for the corresponding period and £117,000 for the second half of 1980-81.

In his last annual statement Mr N. G. Ramseyer, chairman, forecast that first-half results would be similar to those of the second half of last year. In the event they showed a slight increase, due mainly to continued progress in Australia and lower UK interest rates. Management costs, including non-trading items, rose however from £146,000 to £185,000 following the expiry of a profitable short lease.

Mr Ramseyer now says he *expects the second half of the* current year to show a continuation of present trends. Cost reductions and improved efficiency are continuing to be achieved and the directors do not intend to rest on hopes of increased national economic activity as the sole means of restoring past profit levels, he states.

The net interim dividend is 0.5p. Last year a sole payment of 1.85p was paid as an interim.

Turnover for the first half fell from £21.82m to £19.66m and trading profits showed a decline from £1.53m to £0.93m.

Profits were struck after interest of £580,000 (£676,000) and depreciation of £130,000 (£161,000). Tax took £81,000 (£175,000) and stated earnings per 25p share fell from 5.86p to 0.81p.

There was an extraordinary credit of £131,000 (£319,000 debit) substantially representing the gain arising from the sale of the company's holding in Computer Ancilliaries which released some £250,000 towards a reduction in borrowings. In addition contracts have been completed or exchanged to realise surplus properties at around £500,000.

The interim dividend payment cost £45,000 (£166,000) and the retained balance totalled £159,000 (£41,000).

• comment

The Lonsdale shareholder has had a bumpy ride. The company raised its interim in 1980 only to pull the rug out by omitting a pay-out at year-end. Yesterday's dividend was no more than a token. The company realised in 1979 that its activities in retailing and its property moves had gone wrong. However, attempts to get out of retailing put a £2.2m extraordinary debit on its 1980 accounts. Better progress has since been made in disposing of properties and if planned sales go through this year, capital gearing should be reduced to 70 per cent from 86 per cent. The company's principal trading areas, office equipment and printing, remain depressed. The group's Australian book-selling operation remains its only bright spot for the time being. The shares fell 1p to 37p where the market capitalisation is £3.3m.

LONTRIM

The loss-making Lontrim, when reconstructed, is forecast to make profits of between £175,000 and £225,000 for the year to March 31 1982 according to the circular sent to shareholders. *This forecast is based* on a turnover of between £560,000 and £670,000. The figures were incorrectly stated in yesterday's edition.

Highgate Optical falls into the red

A turnround from pre-tax profits of £18,339 to losses of £27,156 is reported by Highgate Optical and Industrial Company *for 1980 and the dividend is* being omitted. Last year's single payment was 1.801p net.

The 1979 surplus was struck after losses in a French subsidiary of £1,724.

The attributable deficit emerged at £28,734 (£87,029 profit) after a tax credit of £14,121 (£13,647 charge), prior year credits of £62,341 (£76,854) and an extraordinary debit of £78,040 (£3,759 credit).

Loss per 10p share was 0.64p (0.23p earnings). Turnover rose from £1.72m to £1.92m.

THE TRING HALL
U.S.M. INDEX
124.4 (−1.9)
at close of business 7/7/81
BASE DATE 10/11/80 100

DEREK CROUCH

Acceptances have been received in respect of 97.4 per cent of the 2.77m shares of Derek Crouch offered in a rights issue. The balance has been sold in the market at a net profit of 13.43p per share.

Matthey asks Robens to stay as chairman

The directors of Johnson Matthey and Co., metal refiner, have asked Lord Robens to continue as chairman beyond the normal retiring age, and he has indicated his willingness to do so for a further two years, subject to shareholders' approval.

He is due to retire at the group's annual meeting on July 30, having reached the age of 70.

In his statement with the accounts Lord Robens says that some sections of the business continue to do well in the current year, and some of the overseas operations are producing very good results.

With the further broadening of the group's business base, and the improvements made to plants and processes, the directors believe the group is in a position to take "full advantage of an improvement when it comes."

Mixed half for L & G

Satisfactory new life and pensions business is reported for the first six months of this year by Legal and General Group, the largest pensions company and *the second largest life company* in the UK.

New annual premiums on its worldwide business rose 5 per cent from £46.4m to £48.7m and single premiums advancing by nearly one-third to £23.9m (£18.6m).

The group recorded a mixed new business pattern in the UK. New individual life and pensions business was particularly buoyant with new annual premiums jumping 26 per cent from £13.2m to £16.7m and single premiums more than doubling to £14.8m against £6.6m.

The group's unit-linked life subsidiary had a particularly good half-year, with new annual premiums included in the above figures, rising by over 60 per cent to £2.3m (£1.4m) and single premiums nearly doubling from £5.5m to £10.3m.

But on the traditional side, sales of with-profit savings plans, personal pension contracts and term assurance were also buoyant. These good figures reflect the group's moves in restructuring its sales force with more emphasis on direct selling.

In the UK group life and pensions sector, however, business was dull with new annual premiums down nearly 8 per cent to £28.2m, compared with £30.6m and single premiums lower by one-quarter at £8.7m against £11.6m.

Mr Ron Peet, group chief executive, stated that this decline was expected, reflecting the effect on the UK recession on the cash flow into pension schemes, combined with the lower levels of wage settlements. He expressed his pleasure on the growth in life business.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corre-sponding div.	Total for year	Total last year
Birmingham Mint		7.5	Sept. 4	7	10.5	10
Highgate Optical		Nil	—	1.8	Nil	1.8
IC Gas		5.3	Aug. 21	4.3*	8	7*
Lonsdale Universal	int.	0.5	Aug. 13	1.85	—	1.85
D. Macpherson	int.	1.5	Sept. 1	1.5	—	4.2
Marston Thompson		1.18	—	[illegible]	1.8	1.63‡
Ropner Holdings		4	Aug. 21	2.5	6.5	4.5
R. Kelvin Watson		2	—	2	3.3	3.3
Winterbottom	int.	0.2	Aug. 11	0.7	—	2

Dividends shown pence per share net except where otherwise stated.
* Equivalent after allowing for scrip issue. † On capital increased by rights and/or acquisition issues. ‡ On 5p shares.

Union International plunges to £5m loss

Union International, the holding company for many of the Vestey family interests, yesterday reported a sharp slump into the red, making a pre-tax loss of £5.5m for 1980 against a profit of £7.3m for 1979.

The company's annual report and accounts for 1980 show overall group borrowings of £154.9m against shareholders' funds of £72.9m, a debt-equity ratio of 312 per cent.

Mr Henry Synge, chairman of Union, says in his statement that his prediction a year ago of a difficult 1980 was "an understatement." No one factor can be regarded as the cause of the company's problems, he continues, but a "number of reasons" combined with falling prices to result in losses.

"Earnings from frozen meat in the U.S. were in decline; abattoirs in the UK were mostly unprofitable; prices in the leather industry were depressed and cold storage revenue was inadequate," says the chairman.

Other activities which traded more satisfactorily included the cash and carry grocery business and retail shops in the UK and certain operations overseas, notably in South America, South Africa and the Far East.

Mr Synge remarks that while the group has been "reluctant to embark on a major programme of retrenchment" it is taking remedial action in certain areas. The recession, he adds, now seems to be deeper and more prolonged than expected.

"You will gather that the prospects for 1981 cannot be regarded as good," he concludes. But the company believes the bottom of the cycle has been reached and passed in some businesses while others cannot be expected to show much improvement over 1980.

Bank loans and overdrafts were reduced during the past year from £123.1m to £96.1m, but loans repayable 1982/1989 have risen from £56.3m to £58.75m in the balance sheet as at December 31.

Union's taxable profits were struck after interest of £23.5m (£17.8m). Below the line, the share of associated profits, less losses amounted to £784,000 (£2.65m). Tax took £1.65m (£1.69m), leaving an attributable loss of £6.4m (£8.2m profit). Total dividend payments absorbed £604,000, the same amount as in 1979, including £100,000 on the ordinary capital.

MORGAN CRUCIBLE

Sales for the first half of the current year at Morgan Crucible were estimated to have been just behind at some £82m, against £84.71m previously, Mr Weston Smith, chairman, told members at the annual meeting.

YEARLINGS UP

The interest rate for this week's issue of local authority bonds is 13¾ per cent, up half of a percentage point from last week. The bonds are issued at par and redeemable on July 14 1982.

SPAIN

July 7	Price %	+ or −
Banco Bilbao	325	
Banco Central	350	+4
Banco Exterior	348	+10
Banco Hispano	301	
Banco Ind. Cat.	122	
Banco Santander	375	+8
Banco Urquijo	222	
Banco Vizcaya	350	
Banco Zaragoza	238	
Dragados	212	+4
Espanola Zinc	55	
Fecsa	69.5	−1
Gal. Preciados	54	+0.5
Hidrola	76.5	
Iberduero	81.2	+1
Petroliber	132	−5
Petroleos	95	−6
Sogefisa	59	
Telefonica	79	−0.2
Union Elect.	71.7	−0.8

LONDON TRADED OPTIONS

July 7 Total Contracts 982 Calls 680 Puts 302

Option	Exercise price	July Closing offer	July Vol.	Oct. Closing offer	Oct. Vol.	Jan. Closing offer	Jan. Vol.	Equity close
BP (c)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	294p
BP (c)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (c)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (c)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (p)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (p)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (p)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BP (p)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
CU (c)	160	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	174p
CU (c)	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cons. Gld (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	435p
Cons. Gld (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cons. Gld (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Cons. Gld (c)	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Court'lds (c)	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	65p
Court'lds (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC (c)	600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	750p
GEC (c)	650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC (c)	700	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
GEC (c)	750	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Gr'd Met. (c)	180	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	207p
Gr'd Met. (c)	200	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Gr'd Met. (c)	220	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI (c)	260	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	272p
ICI (c)	280	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI (c)	300	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ICI (c)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Land Sec. (c)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	395p
Land Sec. (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Mks & Sp (c)	120	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	124p
Mks & Sp (c)	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Mks & Sp (c)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell (c)	330	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	340p
Shell (c)	360	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell (p)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Shell (p)	560	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

Option	Exercise price	August Closing offer	August Vol.	November Closing offer	November Vol.	February Closing offer	February Vol.	Equity close
Barclays (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	435p
Imperial (c)	60	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	88p
Imperial (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Imperial (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Lasmo (c)	600	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	527p
Lasmo (c)	650	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Lonrho (c)	70	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	90p
Lonrho (c)	80	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Lonrho (c)	90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Lonrho (c)	100	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
P & O (c)	130	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	129p
P & O (c)	140	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Racal (c)	390	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	416p
Racal (c)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Racal (c)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Racal (p)	420	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
Racal (p)	460	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RTZ (c)	500	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	515p
RTZ (c)	550	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	

C=Call P=Put

EUROPEAN OPTIONS EXCHANGE

Series	Vol.	Last	Vol.	Last	Vol.	Last	Stock
GOLD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	$406
GOLD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
ABN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.303
AKZO C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.26
HEIN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.48.70
HOOG C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.17.40
KLM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.110.50
KLM P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
NN C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
PHIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.23.60
PHIL P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
RD C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.83.90
RD P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
UNIL C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	F.145.30
UNIL P	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
BOEI C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
OCCI C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
SLUM C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	
VW C	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	DM.168

TOTAL VOLUME IN CONTRACTS 5834
A=Asked B=Bid C=Call P=Put

UK COMPANY NEWS

Ropner turns in record £6.3m and hoists payout

A NEAR £2m jump in pre-tax profits to a record £6.32m was achieved by Ropner Holdings for 1980/81 with £3.1m, against £2.37m, coming in the second six months. This shipowning, insurance broking and engineering concern also proposes to hoist the net total dividend by 2p to 6.5p with a 4p final.

Growth was indicated at mid-term when profit was ahead from £2.03m to £3.22m, though lower second half figures, compared with the first, were anticipated.

	1981	1980
	£000	£000
Turnover	28,812	23,380
Group profit	5,907	4,315
Associates	413	85
Profit before tax	6,320	4,400
Tax	1,970	1,909
Net profit	4,350	2,491
Minorities	190	119
Extraordinary gain	293	—
Available	4,453	2,372
Dividends	960	665
Retained	3,493	1,707

Sales for the year, which ended March 31, were up £5.44m at £28.81m and profit included an associate's share of £413,000 (£85,000).

Stated earnings per 25p share emerged at 28.2p (16.1p) after tax little changed at £1.97m (£1.91m) and the retained balance came out up from £1.72m to £3.49m.

Much of the expansion at the pre-tax level came from engineering, which rose from £2.71m to £3.62m, and investment income, at £836,000, against £251,000. The rest was split as to shipping £1.44m (£1.32m), insurance broking £123,000 (£293,000) and property development £1.04m (£626,000). Interest took £733,000 (£803,000).

On a current cost basis taxable profit was ahead from £4m to £5.6m.

● comment

The 43 per cent surge in Ropner's profits reflected growth on all fronts except for insurance broking which suffered from the strength of sterling. Shipping profits were boosted by higher spot rate for Stonepool, which accounts for about a fifth of divisional earnings, and Stag Line, now sold, moved into the black. The main money spinner, Airtech, the defence related electronic company, turned in an improved performance and with a strong order book appears to be unaffected by domestic defence cuts. Property sales were higher than usual and investment income received a boost from higher interest rates and increased cash balance. There was net interest receivable of £0.1m this year against net interest payable of £0.5m. At 215p up 15p on the figures the shares yield just under 4½ per cent and are on a p/e, fully-taxed, of 10.9.

JACKSON EXPLORATION

The offer for subscription of 4m shares of Jackson Exploration at 72p per share has attracted applications in respect of 1.51m shares. Accordingly, all applications are being allotted in full and the 2.49m shares not subscribed for will be taken up by the underwriters. The offer was made by Laing and Cruickshank.

Intasun on target with £10.3m

AGAINST A forecast of £10.1m, Intasun Leisure Group turned in taxable profits of £10.3m for the year ended March 31 1981. Turnover surged from £30.68m to £101.65m.

As stated in the April offer for sale prospectus, along with the profit forecast, there is no dividend for the year; the first interim payment will be in January 1982.

While directors consider it too early to make a firm forecast for the current year, they would be disappointed if pre-tax profits did not show an improvement.

Pre-tax figure for the March 31 1980 year is given as £1.82m but the directors say that during the year Intasun acquired the shares in some group companies previously held by certain shareholders. Results of these companies were included in the P and L account from the beginning of the 1980-81 year, with a separate deduction for pre-acquisition profits.

To provide a proper comparison, figures for 1979-80 were: turnover £48.76m and pre-tax surplus £3.02m.

Pre-tax figure for 1980-81 was split as to: tour operating surplus £7.4m or 72 per cent; airline £2.9m (28 per cent).

Mr Harry Goodman, chairman, says that Intasun Holidays carried 417,000 passengers during the year, a 41 per cent increase, and its average load factor was 91 per cent (90).

Air Europe operated five aircraft, compared with three in 1979-80.

Bookings taken for summer 1981 holidays are up 6 per cent to 340,000, with 85 per cent going to European destinations and 15 per cent to the U.S. He adds that Air Europe has sold all available summer capacity for the larger fleet.

The directors add that if aircraft finance costs were charged as incurred, and not spread evenly over the periods of the relevant agreements, profit for 1980-81 would have been £8.2m. After a tax charge of £2.71m (£738,000 credit), extraordinary debits amounting to £179,000 (£158,000), minorities, £702,000 last time, and pre-acquisition profits of £3.08m (nil), the attributable balance, which is retained, came through at £4.35m (£1.7m).

● comment

Intasun has beaten the £10.1m forecast made at the time of its offer for sale by tender in April and has ventured to predict an improvement in profit this year, although it is still not indicating how much of a dividend it might pay. Despite recent reports of heavy discounting in summer holidays, Intasun claims that it has just put an extra 6,000 tours up for sale to meet improved demand. The decision last autumn to increase exposure in Europe and reduce it in Miami now looks to have been prescient. The company has continued to make currency profits on its bookings to Spain, Greece and Italy and is protecting its margins by adding average 3 per cent fuel charges. Winter bookings are said to be holding up to last year's level but at slightly lower prices to Europe. At 75p, down 1p—the tender price was 91p—the fully taxed historic p/e is under 8.

B'ham Mint edges ahead to £0.92m

BOTH SALES and profits of the Birmingham Mint remained virtually static in the 12 months to March 28 1981. Turnover declined marginally from £10.82m to £10.79m and at the pre-tax level the surplus emerged at £921,000, compared with £911,000.

However, an increased final dividend of 7.5p (7p) raises the total for the year by 0.5p to 10.5p net.

After a lower tax charge of £35,000 (£191,000) and extraordinary credits of £235,000 (£75,000 debit) the retained balance came through at £907,000 (£442,000).

Stated earnings per 25p share improved from £35.8p to 44p.

Current cost accounting reduces the pre-tax surplus to £650,000.

At mid-year pre-tax profits were £17,000 ahead at £418,000.

Commenting on the results the directors say that there was lower demand for coinage and collectors' products but the subsidiaries manufacturing precious metal products, badges and pressings all increased their profits.

Capital expenditure for the year totalled £1.4m but despite this overall cash flow was positive.

For the current year they say coinage demand is likely to continue at relatively low levels but most of the other divisions and subsidiaries are continuing to prosper.

The directors add that with 65 per cent of turnover being exported the recent "more realistic level" of the pound against the dollar is welcome.

Extraordinary credits include £251,000 release of deferred tax provisions for prior years.

Astley & Pearce aiming for public flotation

Astley and Pearce, the second largest London money broking group after Mercantile House Holdings, is considering making a flotation of its shares on the Stock Exchange.

The company, which is owned largely by its directors, had a pre-tax profit of £5.7m last year, compared with £3.1m in 1979. However, the figures are not strictly comparable because of acquisitions, mainly of Godsell and Co., another money broker, over the period.

Mr John Gunn, managing director, said the board decided, in principle, last week to seek a full Stock Exchange listing for the company by way of a sale of shares provided that both money market and stock market conditions remain favourable. However, it has not been decided whether this would involve a sale of new or existing shares. The company's advisors are N. M. Rothschild and Co. and its brokers are Grieveson, Grant.

Gerrard and National, the discount house, sold its 76.2 per cent stake in Astley and Pearce in 1979 to Exco Securities, a company owned by certain Astley directors, for £3.8m.

The transaction was partly financed by St Mary Axe, which is 69.2 per cent owned by British and Commonwealth Shipping. St Mary Axe was entitled to acquire up to 30 per cent of Exco.

Lincroft Kilgour confirms sale of its major division

A RETURN to profits and a major change in its direction is announced by Lincroft Kilgour, the cloth merchanting and menswear manufacturing group.

Mr David Holland, the company's finance director, confirms the group is negotiating with an unnamed buyer the sale of its merchanting division, which now accounts for about 70 per cent of group turnover.

Interim figures for the six months to March 31 1981 show a sharp recovery with pre-tax profits of £66,000 compared to £23,943 in the comparable period. For the full year to September 30 1980 the company incurred a pre-tax loss of £425,000.

The reported figures mask the full extent of the profits recovery since they have been struck after a £50,000 loss incurred by the shirt business in Ballymena, now sold.

The decision to dispose of its cloth merchanting division, despite its return to profitability, reflects the company's view of the long-term decline of the British textile industry.

Mr Holland said yesterday that the company had not decided its future course. If the disposal goes ahead there will remain a clothing factory which has recently renewed a large contract for uniforms with a public utility and which made pre-tax profits in the first half in the region of £55,000.

Last week Lincroft Kilgour shares were suspended ahead of an announcement on a substantial sale, now expected in two weeks' time. At the suspension price of 34p the company is capitalised at £1.6m—a 56 per cent discount to net assets.

Commenting on prospects, the chairman, Mr Tony Holland, expresses hopes of a higher profit for the second half. The Board states an interim dividend was considered inappropriate and the final will be considered in the light of the full year results. "It remains the Board's intention to resume the payment of dividends as soon as circumstances can be shown to justify them," says Mr Holland.

Turnover for the half year was reduced from £6.9m to £5.6m, which largely reflects the disposal of the company's mail order business. Attributable profits amount to £41,593 against £6,121 loss. Tax was £16,745 against £19,438. Earnings per share were 1.1p compared to 0.01p.

The chairman states that business continues at a relatively low level but, at least, the decline of the past 18 months has been halted. "Indeed, in most dollar based markets, there are signs of an upturn."

"The steps taken last year to reduce costs, allied with the current stability in trading, have resulted in a return to profitability even though trading levels remain depressed," said Mr Holland.

Bank borrowings have come down largely because of destocking in the merchanting division. Mr Holland states the reduction in borrowings and lower interest rates should result in higher second half profits.

Contracts for the disposal of the smaller of the two Leeds factories have been exchanged but the sale of the larger one has not been completed.

Sound base for growth at Ferranti

SATISFACTORY liquidity and a strong balance sheet provide a sound platform for continued growth at Ferranti, says Mr S. Z. de Ferranti, the chairman, in his annual review.

Investment in new factories and facilities in Scotland, Cwmbran, Bracknell and elsewhere has continued and projects — for completion in the coming year and later—expected to cost some £15m have been approved. For 1980-81 capital spending amounted to £18m.

The capital expenditure programme and continuing high level of product development effort reflect the board's confidence in the future says Mr Ferranti.

The group's technology is being successfully marketed in many areas to which the UK has to look for its future prosperity. Although the future level and direction of the Government's defence spending is uncertain the company is finding new markets for its skills, the chairman explains.

For the year to March 31 1981 as reported June 25, taxable profit jumped 62 per cent to £18.08m (£11.19m). On a current cost basis the increase was from £4.3m to £10.4m.

Sales reached £271.5m (£214.6m) and export content was up 60 per cent with £36m (£23.3m) going to continental Europe, £10.7m (£11m) to the U.S. and Canada and £19.2m (£13.8m) to the rest of the world.

The net dividend is 6.5p compared with 6.9p on capital prior to the rights issue which raised £21m.

At year-end shareholders funds were £90.88m (£87.83m) and net current assets £62.52m (£52.57m). Borrowings, net of deposits, were down £1.04m (up £17.56m).

Meeting, Millbank Tower, July 30 at 12.15 pm.

Macpherson down £0.5m midway

ON TURNOVER ahead from £40.74m to £42.56m, pre-tax profits of Donald Macpherson Group, paint and surface coatings manufacturer, fell to £820,000 in the half year to April 26, 1981, compared with £1.3m.

The results include those of Pearl Paints Group and Newcote for the first time, but Mr Rex Chester, chairman, says the full benefit of these acquisitions will not be felt until next year.

In the absence of any significant changes, he expects the pattern established in the first half to be maintained throughout the remainder of the year. For the whole of 1979/80, the group turned in a pre-tax surplus of £2.26m.

The interim dividend is being maintained at 1.5p net—last year's final was 2.7p.

First-half earnings per 25p share fell from 4.5p to 2.4p after tax of £338,000 (£466,000). The pre-tax surplus was struck after lower interest charges of £468,000 (£528,000), but an exchange loss of £46,000 against a profit of £43,000.

Minorities took £40,000 (£14,000), leaving the attributable balance at £442,000 (£816,000), of which the interim distribution again absorbs £272,000.

Mr Chester says the group's balance sheet and cash position remain strong and, as expected, the recession is creating various acquisition opportunities, a number of which are being actively pursued.

He says some measure of the depth of the recession in manufacturing industry is shown by the fact that paint trade association statistics reveal a volume reduction for general industrial coatings of 23 per cent in the year to end-April.

However, the group benefited from a sparkling performance in the home improvement market, he adds, and a worthwhile increase in overseas profits.

● comment

Donald Macpherson has suffered a 33 per cent drop in trading profits, which is disappointing, but understandable given the effects of recession on the UK manufacturing sectors, a key customer for Macpherson products. Thus, the group's industrial coatings business was hit by a 23 per cent fall in volume. Unerman, which sells 75 per cent of its output to the furniture industry, was also hit by a sharp fall in volume and profits. Macpherson's saving grace in the six month period was its decorative paint business; Cover Plus registered a 20 per cent sales increase on the back of heavy advertising and Woolworth's "Operation Crackdown." As the second half progresses, Macpherson says it will continue this pattern of trading, suggesting full-year pre-tax earnings of around £1.8m and a prospective p/e of 13.4. For the time being, the group's balance sheet is healthy (gearing is 26.8 per cent) and it even hopes to soon acquire a company or two in the Far East or North America. At yesterday's 62p, the shares yield a prospective 9.9 per cent on a maintained total dividend.

Stead & Simpson sales up

Footwear turnover of Stead and Simpson has shown a 4.5 per cent increase and motor trading a 5 per cent rise for the first 10 weeks of the current year, Mr Harry Gee, chairman, tells shareholders in his annual review.

He adds that the group would expect to see an improvement on these figures during the course of the 1981/82 year, although trading conditions will continue to be difficult.

As reported on July 2 pre-tax profits for the March 31, 1981 year fell from £3.81m to £2.13m, but the dividend is stepped up to 3.5p (3.25p) net per share.

During the period new footwear branches were opened at Dumfries, Eastbourne, Farnborough, Kidderminster, Leven, Llandudno, Penzance, St Ives (in Cambs), Stamford and Walsall, seven branches were relocated and five, which had poor trading prospects, were closed.

Mr Gee says there are plans to open a further 15 new branches this year.

As at March 31 shareholders' funds amounted to £27.45m (£26.92m), net current assets were £5.62m (£5.87m), and fixed assets £23.19m (£22.29m). There was a £760,000 increase (£1.18m decrease) in cash balances.

Meeting, Syston, Leicester, on August 4 at noon.

MINING NEWS

Gold mine profits ease 4.4% in June quarter

BY KENNETH MARSTON, MINING EDITOR

THE FIRST of the June quarter results from the South African gold mines, those in the Consolidated Gold Fields group, make a satisfactory showing with net profits down by a modest 4.4 per cent to a total R165m ($96.4m) against the background of a fall of 11.4 per cent to $460 per troy ounce in the average gold price for the quarter.

Because of the strength of the dollar, the gold prices received by the mines in South African rands fell by only 4.6 per cent. At the same time there was the cushion of lower tax payments, in some cases arising as a result of higher capital expenditure.

On the other hand, working costs rose by an average 7.4 per cent following a 3.5 per cent increase in the March quarter. Group gold production declined further to 34,633 kg from 35,114 kg in line with a slightly reduced average ore grade of 10 grammes sold per tonne.

The best profits showing among the individual mines is made by **Doornfontein** with earnings of R18.1m compared with R14.5m in the March quarter. The increase reflects a sharp fall in the tax charge as a result of increased capital expenditure. **Venterspost** has also benefited from lower tax.

Separate profits are announced for the last time in the cases of East Driefontein and West Driefontein, the mines having now merged into the **Driefontein Consolidated** "supermine."

Rand London's diamond acquisition

THE SMALL South African mining company **Rand London** has continued its moves to diversify its operations through the purchase for R396,000 (£231,000) of a company which owns a small diamond mine about 20 miles north of Kimberley.

The latest acquisition is Rand London's first venture into diamond mining, and follows the purchase earlier this month of a Northern Transvaal andalusite producer.

Rand London has bought **Southern Fissures**, which operates the Uda mine, from its parent company **Triad Holdings**. The mine has been in operation for 10 years, and produces around 60 tonnes of ore a day. No details of ore grades were given.

Mr Bernard Holthousen, Rand London's managing director, said the company has no present plans to expand output immediately, but will carry out a detailed geological investigation of the mine's diamond fissures and pipes in the near future.

Southern Fissures' name is to be changed to **Rand London Diamond Mines**.

Bond bids for Northern Mining

THE West Australian entrepreneur, Mr Alan Bond yesterday announced a A$32m (£15.8m) offer for the owner of the 5 per cent stake in the Ashton joint venture diamond prospect, **Northern Mining Corporation**, reports our Sydney correspondent.

Bond coincided the offer with the revelation that he was the purchaser of the 19.82 per cent of Northern Minings capital which the National Mutual Life Association of Australasia sold last month. This stake, combined with his previously disclosed interest, lifts his total holding to a formidable 39.58 per cent.

The offer has been launched through **Endeavour Resources**, which is 42 per cent-owned by **Bond Corporation**. The company is offering to pay A$3.64 (178p) for each fully paid Northern Mining Corporation share and A$3.44 cash for each partly-paid share.

The offer comes a day after Northern Mining released a highly bullish report on exploration work at the Ashton's Argyle site which suggested that there could be diamond reserves of 500m carats to a depth of 200 metres.

The Melbourne Stock Exchange and the newly formed National Companies and Securities Commission are closely examining aspects of the offer. However, neither chose to comment last night.

For several days the NCSC has been investigating the whereabouts of the Northern Mining shares formerly owned by National Mutual. There are some matters which could bring the bid into the NCSC's orbit depending on the results of its inquiries into the whereabouts of the Northern Mining shares for the past few weeks.

National Mutual reported its sales to Northern Mining on June 15 in a letter dated June 10, but the deal was thought to have been struck in London on May 29.

Endeavour's statement to the exchange complicated the matter further because it said that endeavour agreed to purchase the shares from National Mutual on June 25.

Endeavour said it was not aware of the registered holder of the shares which it acquired from National Mutual but it believed the beneficial holders were the life office and companies associated with it.

It is thought that the share transfer slips were not lodged with Northern Mining until late yesterday and the information on them is not known. But Endeavour's statement implies that the slips will show the National Mutual as the seller of the shares and not an unknown third party.

Meanwhile, Northern Mining's response to the bid yesterday was a cautious "don't sell." The company said that until the formal offer was made, and the Northern Mining board had considered it, the company would not be in a position to make a recommendation to shareholders.

Talks continue on offers for Paringa

THE DIRECTORS of **Paringa Mining and Exploration** have written to shareholders advising them to take no action in respect of the two rival offers for their shares, but to consult their professional advisers and watch the Press for further developments.

Paringa is currently the subject of a bid battle between the UK-registered Hampton Gold Mining Areas and the small Australian exploration concern Apollo International Minerals.

Hampton has offered three of its own shares plus 50p cash for *every 10 Paringa, or a straight* 63p cash for each Paringa, with the offer due to expire on July 25. The company's stake in Paringa is 26.8 per cent.

Apollo has offered to stand in the market in Australia and London for each Paringa share at a price of A$1.40, currently worth 84p. Apollo currently has 37.1 per cent of Paringa, and its offer expires on July 17.

Mr Brian Davidson, Paringa's chairman, said yesterday that it was uncertain whether the company would be able to remain independent, and said that advertisements would be placed in The Australian and the Daily Telegraph on July 14 to bring shareholders up to date with any developments. Talks with both Hampton and Apollo continue, he added.

Paringa were 83p in London yesterday.

Lower profit at NCCM in full year

A LARGE tax credit in the fourth quarter has allowed Zambia's biggest copper and cobalt producer, **Nchanga Consolidated Copper Mines**, to show a net profit for the period of Kwacha 1.5m (£0.89m). The tax credit amounted to K20.1m.

For the year ended on March 31, NCCM showed a net profit of K32.4m, after a tax credit of K18.8m, compared with a net profit of K56.2m after a tax charge of K76m last time.

The company regards the results as encouraging in view of the serious production constraints it had to face during the year.

Output of both copper and cobalt was down in the quarter and the full year, partly because of the loss of some experienced Zambian and expatriate staff and partly as a result of shortages of replacement parts for machinery.

Shortages of foreign exchange continued to have an adverse impact on NCCM's operations, and the strikes throughout the Copperbelt in January this year also took their toll.

The company actually made a loss of K11.5m on sales of copper during the fourth quarter, but cobalt and precious metals sales produced a profit of K7.9m.

NCCM shares with its smaller sister company, Roan Consolidated Mines, a refinery at Ndola which produces precious metals from copper anode slimes. The plant has produced 100 tonnes of silver and 1 tonne of gold since it was opened in 1977.

BIDS AND DEALS

Cambridge Petroleum say LMS offer unacceptable

Cambridge Petroleum Royalties, the UK oil and gas royalty company, has told its shareholders that a £17.5m takeover bid launched by **London Merchant Securities**, which is headed by Lord Rayne, is "totally unacceptable."

The bid is worth 350p per share.

Shareholders of Cambridge have been told in a circular letter that "the offer does not reflect the worth of your company's proved and probale oil and gas reserves and ignores the *potential of its exploration* properties, prospects and cash resources."

The circular, signed by Sir Patrick Dean, chairman of Cambridge, says that the proposals are totally unacceptable and should be rejected by shareholders. "You should ignore any documents received from London Merchant Securities and the board will communicate with you again after it has studied the formal offer document."

Cambridge shares, which are traded under Rule 163 (2)(A), a market designed for small companies with a limited number of shareholders, stood at 363p, unchanged by yesterday's developments.

Robert Fleming, advisers to Cambridge has purchased 40,000 of the company's shares, at 360.875p per share on behalf of principals.

MEDENS TRUST

The offer for **Medens Trust** by **Brown Shipley Holdings** has become unconditional in all respects and will remain open until further notice.

Acceptances have been received in respect of 11.57m new Medens shares and 11.57m deferred, which together represent 92.2 per cent of the issue share capital.

M & T CHEMICALS

M. and T. Chemicals has acquired M. L. Alkan, a member of the Guinness Peat Group. M. and T.'s ultimate parent is Société Nationale Elf Aquitaine, the French petrochemical company.

Collins rejects revised terms

THE BOARD of William Collins, the Glasgow publishers, has urged its shareholders to reject the revised £25m bid for the company from News International, the publishing group headed by Mr Rupert Murdoch.

In a letter to shareholders yesterday the directors said that the revised offer was "unwelcome and wholly unacceptable," and added that only 0.43 per cent of the independent holders of ordinary voting shares and 4.63 per cent of the non-voting "A" shares in the company had accepted.

News International raised its bid for Collins late last month from 200p per ordinary share to 225p a share when it bought a 9.4 per cent stake from Mr Robert Maxwell's Pergamon Press at this price. When the offer was later cleared by the Takeover Panel, News also raised its offer to the holders of non-voting shares from 150p to 163p a share.

Taking the Pergamon stake into consideration, News now holds a total of 42.56 per cent of the voting shares in Collins, having initially purchased a 30 per cent stake in the company from Mr Jan Collins, the former chairman.

The Collins board said it will inform shareholders before the July 17 closing date of the increased offer of its reasons for the rejection of the bid.

Espley-Tyas £4m acquisitions

Espley-Tyas, the Birmingham-based property group which was floated in February this year, has continued its expansion programme with the acquisition of three properties for £2.95m and a property company for a further £1.1m.

The company said yesterday it is acquiring three fully-let West Midlands properties from Thalia for a payment of £1m in cash and the issue of 2,518,669 Espley shares at 77.4p a share to raise £1.95m. The shares are being placed with institutions by Carr Sebag.

The property portfolio consists of a 106,575 sq ft property on a 4.57 acre site in Hall Green; a 225,718 sq ft factory on 8.3 acres in Worcester and a 97,243 sq ft factory on 3.71 acres in Solihull.

The aggregate gross rental of the three properties is £376,000 a year and at the last valuation date, February 18, they were worth an aggregate of £3.75m.

At the same time, the company is acquiring Valley Estimations, a property company, from Mr David Alliance, for a further £1.13m.

The sum will be satisfied by the placement of 1,198,002 Espley shares with various institutions at 77.4p a share to raise £927,515, while Mr Alliance has agreed to hold a further £200,000 worth of Espley shares for a year from the transfer date.

The assets of Valley at April 10 comprised £1.26m in cash and a vacant leasehold property in Birmingham which has an annual rental of £38,500.

At the same time as the sale of Valley to Espley, however, Valley has agreed to acquire a West Bromwich leasehold site of 6.1 acres from SCM (UK) for £700,000.

The site was valued at £700,000 on June 15. Espley intends to re-develop the property.

Mr Ronald Shuck, chairman and chief executive of Espley, said yesterday that the acquisitions will not affect the prospectus forecast of a pre-tax profit of not less than £1.6m, for the September 30 1981 year, and a dividend of 3.3p for the seven months to the listing date.

Mr Shuck added that he could not forecast the effects of the acquisitions into the next financial year, although he said the share component of the considerations meant that an increase in the authorised capital of the company was likely.

Hargreaves buying U.S. road tanker operator

Hargreaves Group, a holding company with transport and shipping, quarrying and contracting interests, is buying **Bralley-Willett Tank Lines Inc.**, of Virginia, U.S., in a deal worth *at least $6.05m (£3.2m)*.

The American company is a road tanker operator in the eastern states of the U.S.

Hargreaves is making its purchase through a wholly-owned subsidiary of Hargreaves Holdings (U.S.A.) Inc. The initial purchase price is $6.05m in cash, with a further payment to be made if profits from the business in 1981, 1982 and 1983 exceed specified levels which are greater than the level earned in 1980.

The 1980 profits of Bralley-Willett were $656,084 before tax. Net tangible assets at December 31 were $2.12m. A revaluation in progress is expected to put the current value of these assets at not less than $4.2m.

Tricoville suspended

SHARES OF **Tricoville**, which designs, produces and markets fashion wear, were suspended on the Stock Exchange yesterday at the directors' request. Discussions are taking place with an as yet unnamed party which could lead to an offer being made for Tricoville.

The suspension price of 84½p places a value of £3.4m on the entire share capital of the company.

In its last financial year ending July 19 1980 the group reported pre-tax profits of £913,000, compared with £892,000 the previous year. Turnover was £10.1m (£9.06m).

At the half-way stage in the current financial year taxable profits, for the six months ending January 19 were £504,000 compared with £501,000.

Mr D. A. Jacobs, chairman, said when the half-year figures were announced in May that full-year profits were likely to exceed last year's record level.

"Considering the difficult trading conditions experienced at retail level throughout the country during the period under review, we are pleased to have maintained half-year profits at last year's level," he said.

Evershed talks continue

Talks on the sale of **Brown Boveri Kent** subsidiary **Evershed Power-Optics** to **Vinten**, the television and camera equipment manufacturer, are still continuing, and a further announcement should be forthcoming within the next month or so.

Mr John Notley, chief executive of Brown Boveri, said yesterday that the subsidiary was being sold because its activities were not directly in line with the process control and metering equipment manufacturing operations of the holding company.

Negotiations for the sale of the profit-making subsidiary were first announced at the end of last month.

SHARE STAKES

Federated Land—J. H. P. Meyer, director, has disposed of 100,000 shares at 127½p leaving holding 2.4m shares (22.07 per cent).

Oil and Gas Production—Guinness Mahon now holds 4,637,000 shares (11.04 per cent).

John Menzies (Holdings)—Brigadier C. A. Ramsay's holding is now less than 5 per cent of the voting capital.

Kwik-fit (Tyres and Exhausts)—W. A. Stenson, director, has sold 50,000 shares.

Stylo Shoes—Dr H. N. Lewis, director, has disposed of 28,987 shares and I. A. Ziff, director, has acquired 57,973 shares in the capacity as a trustee.

H. Goldman—Mr Harvey Ross has increased his holding to 437,516 shares (19.02 per cent).

BOX MACHINERY/ KIRBY DARTFORD

Box Machinery (Rugby), machinery broker, has acquired from Caparo Industries its West Midland-based container machinery subsidiary Kirby Dartford. Combined turnover of the new company — Kirby Box Machinery — will be £1.2m this year rising to a forecast £1.6m in 1982.

RESULTS AND ACCOUNTS IN BRIEF

CONTINENTAL AND INDUSTRIAL TRUST—Results for year to May 31 1981 reported June 20. Shareholders' funds £63.7m (£47.39m); listed investments £67.09m (£53.52m); unlisted investments £229,830 (£156,261); net current assets £597,534 (£336,064 liabilities), increase in net liquid funds £961,222 (£771,978 decrease). Meeting: 120 Cheapside, EC, July 28, noon.

S. AND U. STORES (consumer credit, retail trading, clothing manufacturer)—Results for the year to January 31, 1981, reported June 10. Shareholders' funds £4.13m (£3.55m); net current assets £1.41m (£796,000). Increase in working capital £307,000 (£336,000), net inflow of cash £310,000 (£796,000) at year and Serjeants' Inn Nominees held 1.5m ordinary shares (17.05 per cent) and Arendville Investments 500,000 shares (5.68 per cent). Chairman does not expect any increase in profitability in current year. Meeting: Birmingham, July 27, 3 pm.

PLYSU (plastic containers, domestic wares)—Results for the year to March 31, 1981, reported June 12. Fixed assets £7.28m (£5.77m); current assets £4.58m (£5.4m), including debtors £2.72m (£3.51m); current liabilities £2.41m (£4.23m), including bank overdraft secured nil (£860,000). Shareholders' funds £8.85m (£7.76m). Decrease in working capital £1.23m (£637,000 increase); decrease in bank overdraft £1.25m (£80,000 increase). Decrease in working capital £1.23m (£2.33m) reduced to £928,000 (£1.71m) on CCA basis. Meeting: Winchester House, Old Broad Street, EC, July 22, noon.

WESTBRICK PRODUCTS (bricks, engineering, plastics, concrete products)—Results for year to March 31, 1981, reported June 19. Shareholders' funds £5.2m (£4.93m), net current assets £1.55m (£1.8m), fixed assets £4.39m (£4.43m), decrease in working capital £373,000 (£11,000 increase). Meeting, Exeter, July 24, noon.

TUNNEL HOLDINGS (construction materials, speciality chemicals, waste management)—Results for year to March 20, 1981, and prospects, reported June 19. Current cost pre-tax profit £3.31m against historical £15.59m. Ordinary shareholders' funds £55.18m (£48.25m). Net current assets £17.9m (£16.57m). Fixed assets £26.96m (£24.85m). Working capital increased £0.99m (£4.29m). Liquid funds increased £3.74m (£0.58m decrease). Ex gratia payment to former director £10,000. Meeting, Caxton Hall, SW, July 23, 12.30 pm.

BARKER AND DOBSON GROUP (confectionery)—Results for year to March 28 1981 reported June 6. Current cost pre-tax loss £186,000 against historical £489,000 profit. Group fixed assets £3.04m (£3.09m). Net current assets £2m (£142,000). Shareholders' funds £8.31m (£8.43m). Working capital increase £813,000 (£920,000 decrease). Meeting, Hyde Park Hotel, SW, July 27, noon.

SANGERS GROUP (pharmaceutical, photographic and optics)—Results for year to February 28 1981 reported June 2. Shareholders' funds £10.72m (£11.11), net current assets £5.33m (£7.39m). Net liquidity up £814,000 (down £690,000) with cash £3.93m (£136,000) and overdraft £3.52m (£541,000). An average share option scheme is proposed. Meeting, Connaught Rooms, WC, July 30 at noon.

UNITED ELECTRONIC HOLDINGS (electronic components distributor and equipment retailer)—Results for the year to March 31, 1981 and prospects reported June 5. Shareholders' funds £2.48m (£1.54m), net current assets £2.16m (£1.67m). Funds showed net decrease of £201,000 (£357,000 increase). At year-end Charterhouse Dentrair Investments held 26.5 per cent. Meeting, Great Eastern Hotel, Liverpool Street, EC, July 30, noon.

JOVE INVESTMENT TRUST—At June 26 net asset value per capital share was 5.94p.

FRANCIS SHAW AND COMPANY (machinery for rubber, cable and plastics industries)—Results for 1980 reported June 22 with prospects. Shareholders' funds £2.05m (£2.71m), net current assets £1.12m (£2m) with bank overdraft £2.13m (£1.54m). Working capital down £0.89m (£0.77m). CCA loss before tax £395,000 (historic £106,972). Meeting Manchester, July 24 at 2 pm.

RENOLD (power transmission products)—Results for year ended March 29 1981 reported June 26 in preliminary statement. Group fixed assets £95.02m (£98.91m), net current assets £57.25m (£59.11m), shareholders' funds £86.08m (£91.86m). Increase in net short-term borrowings £7.57m (£4.11m). Meeting, Manchester, July 30, 2.30 pm.

TWINLOCK (loose leaf equipment maker)—Results for February 28, 1981 year reported May 29. Fixed assets £5.9m (£7.47m), net current assets £6.36m (£6.3m), shareholders' funds £7.86m (£7.89m). CCA pre-tax £637,000 loss (£141,000 historic profit). Meeting, St Ermin's Hotel, Caxton St, SW, on July 31, at 11 am.

MARINEX PETROLEUM (petroleum exploration, development and production)—Results for year ended March 7. Shareholders' funds £10.17m (£10.18m), net current assets £0.31m (£0.75m). Increase in working capital £6.1m (£19.82 decrease). Meeting: Great Eastern Hotel, Liverpool Street, EC, July 31, at 11.30 am.

EMRAY (industrial and financial services)—Results for 1980 and prospects reported July 2. Shareholders' funds £37.03m (£29.02m), net current assets £30.83m (£41.46m). Decrease in working capital [illegible]. Rosano AG hold 16.79 per cent of group's present issued capital at June 30 1981. Meeting: 81, Grosvenor Street, W, July 30, 10 am.

RENOLD

INTERNATIONAL ENGINEERING MANUFACTURE AND MARKETING

Statement by the Chairman Mr. L. J. Tolley, C.B.E. **The 51st Annual General Meeting of Renold Limited will be held on 30th July at Renold House, Wythenshawe, Manchester**

GROUP RESULTS

	This Year £000	Last Year £000
Sales	127,093	123,355
Profit on Trading	8,411	10,416
Profit attributable to Ordinary Stockholders	1,181	3,193
Earnings per £1 unit	2·9p	7·9p
Dividends per £1 unit	2·0p	8·0p
Extraordinary Items	(2,416)	(6,209)
Transfer from Reserves	(2,042)	(6,244)

INTRODUCTION

Results for the past year inevitably reflect the world recession: in the case of the U.K. and Continental Europe, trading conditions deteriorated substantially in the second half of the year. Trading results were also adversely affected by the direct and indirect effects of the excessively high interest rates in most countries of the world. The increased value of sterling has been a further factor in reducing overseas profits. The cost of closures and redundancies, arising from a major programme of rationalisation of Group activities, caused an increase in borrowings, but in other respects cash control has been exercised effectively.

Efforts are continuing to pave the way for substantially improved results as soon as worldwide trading conditions recover. The further steps taken in this direction during the year, in addition to the closure of the Coventry factory and withdrawal from loss-making manufacturing operations in Spain, have included:

- a detailed reappraisal of our manufacturing facilities and methods, resulting in further rationalisation of chain and gear production and overhead services involving the release of a number of properties for disposal.
- further progress towards expansion of operations outside the mechanical power transmission field; in electronics, hydraulics and specialised machines and equipment by acquisition and by manufacturing and marketing arrangements with other companies.
- *a major change in the Company structure which* will provide a greater degree of decentralised control and an environment in which we can capitalise more rapidly on the underlying strengths of the Group to produce the dynamism which early success requires.

Whilst it is confidently expected that these and other actions designed to improve efficiency augur well *for the future the immediate outlook appears* uncertain. In this situation the need to conserve cash is the reason for the decision taken not to pay a final dividend. The dividend for the year will therefore be 2p, the amount already paid as an interim.

PERSONNEL

The need to implement redundancies, however essential they might be, is a hard decision to take affecting as it does long serving and loyal employees. Many others have suffered a loss of pay due to the need to introduce short time working. The co-operation throughout has been of a high order and I would wish to convey my appreciation for the understanding which has been shown.

RENOLD TODAY AND IN THE FUTURE

In the United Kingdom, manufacture of the end-product in the consumer and consumer durables sector has been rapidly eroded by imports. These end-products constitute a substantial market for Renold power transmission products and it is significant that an increasing proportion of Renold sales in this field takes place in overseas countries with a further part of the remainder continuing to find its way overseas via U.K. customers. Renold is now more an international manufacturing and marketing group than a British company with overseas subsidiaries. In engineering products, particularly components, manufacturing location tends to follow the end-product market in which sales are made. This development is evidenced by the fact that Renold now makes more roller chain (and employs more people doing so) overseas than in the U.K. Such a trend in other power transmission *products seems inevitable unless the U.K. decline in* manufacturing of finished products can be reversed. We will, in any case, continue to place great emphasis in the U.K. on our other products: Pharmaceutical and Confectionery Equipment, Machine Tools, Castings and Forgings, Fluid Power Products, Electronics and Contract Engineering.

I have referred already to the changes in the Company structure, and the *rationalisation and streamlining of our U.K. facilities. These actions are* designed to maximise our efficiency without impairing our ability to supply, but they recognise that a major element of real growth in the future is likely to be overseas-orientated.

Our product range, throughout all our varied activities, is right up-to-date, widely spread and well designed. We have made every effort to maintain our capital investment in those product market areas where it was justified. When the world recession ends and economic activity moves up again, Renold will be ready to respond.

THE ECONOMIC SCENE

A world recession still affects demand for industrial products throughout the Western world. In the U.K. the essential need to defeat inflation has placed a further heavy burden on the private sector which it has been finding increasingly difficult to bear. We may be coming to the end of the period of rapid destocking and decline in industrial manufacturing output. The greater danger is that any substantial recovery in demand is likely to benefit imports of finished products rather than our own domestic industry and this can be avoided only if attitudes within and towards British manufacturing industry change considerably. Those industries and companies which have survived the recent economic pressures have by slimming down undoubtedly improved their efficiency potential and competitiveness: they now require an economic and financial climate which will enable them to take full advantage of any recovery.

GROUP PROSPECTS

As yet there are no signs that the U.K. recession is at an end. Europe and North America still need to show evidence of recovery although in certain other markets demand is buoyant.

When worldwide recovery does begin Renold is in a strong position to take full advantage of it and return to a satisfactory level of profitability.

RENOLD LIMITED · MANCHESTER

LONDON & OVERSEAS FREIGHTERS PLC

YEAR TO 31 MARCH 1981

The 33rd Annual General Meeting of London & Overseas Freighters PLC was held yesterday under the chairmanship of Mr. Manuel Kulukundis.

Salient points referred to in the Directors' Report and Chairman's Statement accompanying the Accounts sent to shareholders were:—

- ★ No ships were sold during the year and a trading loss of £1.3m. was incurred.
- ★ Tankers have done badly, but the bulk carriers have done well, thus demonstrating the advantage of maintaining a dry cargo element in a predominantly tanker fleet.
- ★ Having regard to reserves and resources the dividend is to be kept at the same level as last year.
- ★ There can be no doubt that we face another difficult year's trading. The bulk carriers are performing well under time charters extending into the early months of 1982 and should earn, before depreciation, operating surpluses which, providing the tankers break even on a similar basis, would produce a trading result much the same as this year. Any improvement above this level is dependent upon the profitable exploitation of our tankers. I am firmly of the opinion that our 140,000 tonners are of the size and type which place us in a favourable position to take advantage of an upturn in demand for crude oil carried by sea.

8 BALFOUR PLACE, LONDON, W1Y 6AJ

Copies of the Annual Report for the year to 31 March 1981 including the full text of the statement by the Chairman, Mr. Manuel Kulukundis, may be obtained from the Secretary.

Gold Fields Group

JUNE QUARTERLIES

All companies mentioned are incorporated in the Republic of South Africa

DRIEFONTEIN CONSOLIDATED LIMITED
(formerly East Driefontein Gold Mining Company Limited)

ISSUED CAPITAL (at 1 July 1981): 94,638,000 ordinary shares of R1 each, fully paid.

MERGER OF EAST DRIE AND WEST DRIE: In circulars dated 1 July 1981 members of this company—formerly East Driefontein Gold Mining Company Limited ("East Drie")—and the former members of West Driefontein Gold Mining Company Limited ("West Drie") were informed that the resolutions proposed at the general meetings of the respective companies, held on 15 June 1981, had been duly passed, the special resolutions had been registered and the Order of Court confirming the reduction of West Drie's share capital had been lodged with the Registrar of Companies. The change of name of East Drie to Driefontein Consolidated Limited became effective on 1 July 1981, and on that date the former members of West Drie, other than East Drie and its nominees in respect of 2,160 West Drie shares, were allotted 285 new Driefontein Consolidated shares for every 100 West Drie shares held on 30 June 1981.

The following are the results of East Drie and West Drie for the quarter ended 30 June 1981. The results of East Drie for the six months ended 30 June 1981, which was the end of the financial period, and of West Drie for the year ended on that date, are also shown:

EAST DRIE

ISSUED CAPITAL (at 30 June 1981): 54,630,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Six months ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	675,000	675,000	1,350,000
Gold produced (kg)	9,111.9	9,418.8	18,530.7
Yield (g/t)	13.5	14.0	13.7
Price received (R/kg)	12,801	13,686	13,251
Revenue (R/t milled)	173.01	191.59	182.44
Cost (R/t milled)	40.20	37.64	38.92
Profit (R/t milled)	132.81	154.24	143.52
Revenue (R000's)	116,782	129,516	246,298
Cost (R000's)	27,136	25,405	52,541
Profit (R000's)	89,646	104,111	193,757
FINANCIAL RESULTS (R000's):			
Working profit: Gold	89,646	104,111	193,757
Recovery under loss of profits insurance	—	2,249	2,249
Net sundry revenue	5,405	4,997	10,402
Profit before taxation and State's share of profit	95,051	111,357	206,408
Taxation and State's share of profit	48,393	64,847	113,240
Profit after taxation and State's share of profit	46,658	46,510	93,168
Capital expenditure	13,035	4,542	17,577
Dividend	73,589	—	73,589

DIVIDEND: A dividend (No. 16) of 135 cents (78.24753p) per share was declared on 9 June 1981 payable on or about 4 August 1981 to members of the former East Drie registered on 26 June 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R76.6 million.

SHAFTS:
No. 2 Sub-Vertical Shaft: The shaft was sunk 83 metres to a depth of 334 metres below collar. Excavation of 30 Level station is complete.
No. 2A Service Shaft: The shaft was sunk 73 metres to a depth of 151 metres below collar. Excavation of 26 Level station is complete.
No. 5 Shaft: Foundations for the man winder have been cast and work is in progress on the rock winder foundations.
No. 5 Sub-Vertical Shaft: Development of the bank layout on 22 Level is continuing.

DEVELOPMENT:			
Ventersdorp Contact Reef			
Advanced (m)	3,229	3,057	6,286
Sampling results:			
Sampled (m)	300	582	882
Stope width (cm)	150	170	163
Av. value: gold: (g/t)	18.8	17.0	17.6
cm. g/t.	2,820	2,890	2,869
Carbon Leader			
Advanced (m)	729	941	1,670
Sampling results:			
Sampled (m)	162	190	352
Stope width (cm)	117	127	122
Av. value: gold: (g/t)	14.4	9.9	11.9
cm. g/t.	1,685	1,257	1,452
Main Reef			
Advanced (m)	805	1,430	2,235
Sampling results:			
Sampled (m)	340	576	916
Stope width (cm)	130	145	139
Av. value: gold: (g/t)	5.6	7.4	6.8
cm. g/t.	728	1,073	945

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published in the report for the period 1 January to 30 June 1981. At the prevailing pay limit of 3.5 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Ventersdorp Contact Reef	9,481,000	177	19.6	3,469
Carbon Leader	1,481,000	117	8.9	1,041
Main Reef	2,077,000	157	6.8	1,068
Total and averages	13,029,000	184	16.3	2,673

7 July 1981

WEST DRIE

ISSUED CAPITAL (at 30 June 1981): 14,032,150 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Year ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	675,000	675,000	2,700,000
Gold produced (kg)	9,787.5	9,787.5	40,081.3
Yield (g/t)	14.5	14.5	14.8
Price received (R/kg)	12,959	13,686	14,597
Revenue (R/t milled)	188.32	198.98	217.93
Cost (R/t milled)	45.24	42.36	43.22
Profit (R/t milled)	143.08	156.62	175.11
Revenue (R000's)	127,125	134,314	588,790
Cost (R000's)	30,546	28,595	113,589
Profit (R000's)	96,585	105,718	472,810
Uranium Oxide:			
Pulp treated (t)	313,400	320,300	1,249,700
Oxide produced (kg)	59,422	61,217	242,534
Yield (kg/t)	0.190	0.191	0.194
FINANCIAL RESULTS (R000's):			
Working profit: Gold	96,585	105,718	472,810
Profit on sale of Uranium Oxide and Sulphuric Acid	3,942	297	7,659
Net tribute royalties	3,054	3,944	12,579
Net sundry revenue	7,959	6,155	22,357
Profit before taxation and State's share of profit	111,540	116,072	515,405
Taxation and State's share of profit	66,107	72,306	318,245
Profit after taxation and State's share of profit	45,433	43,766	197,160
Capital expenditure	5,070	2,395	14,882
Dividend	102,095	—	172,596

DIVIDEND: A dividend (No. 57) of 725 cents (420.21624p) per share was declared on 9 June 1981, payable on or about 4 August 1981 to former members of West Drie registered on 26 June 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R22.1 million.

PUMPING ARRANGEMENTS:
No. 4 Shaft: Civil work has commenced in the 4 Level pump chamber and is nearing completion in the 12 Level pump chamber.
No. 6 Sub-Vertical Shaft: Civil work is approaching completion in the 26½ Level pump chamber.

DEVELOPMENT:			
Carbon Leader			
Advanced (m)	4,303	4,352	19,333
Sampling results:			
Sampled (m)	408	334	1,742
Stope width (cm)	126	120	128
Av. value: gold: (g/t)	28.6	11.4	19.2
cm. g/t.	3,604	1,368	2,470
Ventersdorp Contact Reef			
Advanced (m)	2,078	1,631	7,087
Sampling results:			
Sampled (m)	738	368	1,982
Stope width (cm)	184	165	181
Av. value: gold: (g/t)	9.1	10.9	9.2
cm. g/t.	1,547	1,802	1,481
Main Reef			
Advanced (m)	1,995	1,719	5,716
Sampling results:			
Sampled (m)	552	682	1,982
Stope width (cm)	159	176	176
Av. value: gold: (g/t)	4.3	4.4	4.7
cm. g/t.	684	763	827
North Leader			
Advanced (m)	89	84	379
Sampling results:			
Sampled (m)	80	60	336
Stope width (cm)	105	105	105
Av. value: gold: (g/t)	6.3	3.9	4.1
cm. g/t.	665	410	431

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published, for information, in an annexure to the Driefontein Consolidated report for the period 1 January to 30 June 1981. At the prevailing pay limit of 4.4 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Carbon Leader	3,942,000	111	23.9	2,653
Ventersdorp Contact Reef	2,515,000	159	13.4	2,131
Main Reef	1,329,000	155	7.7	1,194
Total and averages	7,786,000	130	17.7	2,301

On behalf of the boards
R. A. Plumbridge
C. T. Fenton } Directors

LIBANON GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 7,937,300 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Year ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	420,000	420,000	1,680,000
Gold produced (kg)	2,519.9	2,482.2	10,032.9
Yield (g/t)	6.0	5.9	6.0
Price received (R/kg)	12,933	13,649	14,502
Revenue (R/t milled)	77.70	80.90	86.85
Cost (R/t milled)	37.34	35.24	35.51
Profit (R/t milled)	40.36	45.66	51.34
Revenue (R000's)	32,634	33,976	145,913
Cost (R000's)	15,684	14,799	59,665
Profit (R000's)	16,950	19,177	86,248
FINANCIAL RESULTS (R000's):			
Working profit: Gold	16,950	19,177	86,248
Net sundry revenue	2,032	1,258	5,511
Profit before taxation and State's share of profit	18,982	20,435	91,759
Taxation and State's share of profit	7,530	9,190	43,971
Profit after taxation and State's share of profit	11,452	11,245	47,788
Capital expenditure	4,989	3,662	15,406
Dividend	15,875	—	26,193

DIVIDEND: A dividend (No. 61) of 200 cents (115.92227p) per share was declared on 9 June 1981, payable to members on or about 4 August 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R108.8 million.

SHAFTS:
No. 4 Shaft: Preliminary excavation has been carried out to a depth of 13 metres, and construction of the collar and hoist foundations has been completed. On 18 Level, development towards the shaft site has commenced.
No. 4 Sub-Vertical Shaft: The shaft was sunk 21 metres to 1,611 metres below collar. 42 Level station has been cut and supported.
No. 4A Service Shaft: The shaft was sunk 55 metres to 157 metres below collar. 29 Level station has been cut and supported.

DEVELOPMENT:			
Main Reef			
Advanced (m)	2,948	3,132	12,750
Sampling results:			
Sampled (m)	360	560	3,032
Stope width (cm)	133	136	137
Av. value: gold: (g/t)	5.8	5.6	5.3
cm. g/t.	771	762	726
Ventersdorp Contact Reef			
Advanced (m)	1,088	809	4,191
Sampling results:			
Sampled (m)	62	72	370
Stope width (cm)	149	157	152
Av. value: gold: (g/t)	3.7	5.8	4.5
cm. g/t.	551	911	684
Elsburg Reef			
Advanced (m)	364	236	794
Sampling results:			
Sampled (m)	168	118	402
Stope width (cm)	240	248	239
Av. value: gold: (g/t)	3.4	3.1	3.3
cm. g/t.	816	769	789
Kimberley Reef			
Advanced (m)	27	4	31
Sampled	Nil	Nil	Nil

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3.4 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Ventersdorp Contact Reef	3,703,000	143	11.5	1,645
Main Reef	6,120,000	131	5.4	707
Elsburg Reef	781,000	232	6.3	1,462
Kimberley Reef	175,000	145	8.1	1,175
Total and averages	10,779,000	139	7.6	1,056

On behalf of the board
P. R. Janisch
C. T. Fenton } Directors

7 July 1981

KLOOF GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 30,240,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Year ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	505,000	525,000	2,095,000
Gold produced (kg)	7,321.6	7,613.9	30,378.0
Yield (g/t)	14.5	14.5	14.5
Price received (R/kg)	13,117	13,317	14,491
Revenue (R/t milled)	190.56	193.69	210.77
Cost (R/t milled)	50.50	45.64	46.10
Profit (R/t milled)	140.06	148.05	164.67
Revenue (R000's)	96,233	101,689	441,555
Cost (R000's)	25,502	23,962	96,569
Profit (R000's)	70,731	77,727	344,986
FINANCIAL RESULTS (R000's):			
Working profit: Gold	70,731	77,727	344,986
Recovery under loss of profits insurance	—	—	2,232
Net sundry revenue	5,180	3,647	14,098
Profit before taxation and State's share of profit	75,911	81,374	361,316
Taxation and State's share of profit	41,049	46,801	209,979
Profit after taxation and State's share of profit	34,862	34,573	151,337
Capital expenditure	8,164	5,501	23,120
Dividend	72,576	—	120,960

DIVIDEND: A dividend (No. 23) of 240 cents (139.10673p) per share was declared on 9 June 1981, payable to members on or about 4 August 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R196.4 million.

SHAFTS:
No. 3 Sub-Vertical Shaft: The shaft was sunk 68 metres to 30 Level station, a depth of 479 metres below collar. Support work for the rock hoist chamber is complete and sliping of the rope races is in progress. The south man hoist has been commissioned.
Proposed No. 4 Shaft System: It has been decided to establish a new shaft system to serve the lower levels of the mine and to improve ventilation.

DEVELOPMENT:			
Ventersdorp Contact Reef			
Advanced (m)	6,964	6,626	28,271
Sampling results:			
Sampled (m)	90	22	432
Stope width (cm)	147	155	173
Av. value: gold: (g/t)	10.5	15.7	19.0
cm. g/t.	1,544	2,434	3,287
Kloof Reef			
Advanced (m)	401	297	1,298
Sampling results:			
Sampled (m)	74	Nil	88
Stope width (cm)	190	—	181
Av. value: gold: (g/t)	3.7	—	4.2
cm. g/t.	703	—	760

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 4.5 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Ventersdorp Contact Reef	4,162,000	152	20.0	3,040
Kloof Reef	491,000	199	9.2	1,831
Total and averages	4,653,000	156	18.9	2,948

On behalf of the board
C. T. Fenton
P. R. Janisch } Directors

7 July 1981

VLAKFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 6,000,000 shares of 70 cents each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Six months ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled:			
from surface dumps (t)	91,857	114,477	206,334
from outside sources (t)	88,143	65,523	153,666
total milled (t)	180,000	180,000	360,000
Gold produced (kg)	200.7	200.4	401.1
Yield (g/t)	1.1	1.1	1.1
Price received (R/kg)	13,104	12,993	13,048
Revenue (R/t milled)	14.64	14.51	14.57
Working cost (R/t milled)	8.47	6.60	7.53
Rock purchased (R/t milled)	2.49	2.14	2.31
Profit (R/t milled)	3.68	5.77	4.73
Revenue (R000's)	2,635	2,611	5,246
Working cost (R000's)	1,524	1,188	2,712
Rock purchased (R000's)	449	384	833
Profit (R000's)	662	1,039	1,701
FINANCIAL RESULTS (R000's):			
Working profit: Gold	662	1,039	1,701
Net sundry revenue	189	151	340
Profit before taxation	851	1,190	2,041
Taxation:	367	583	950
Formula tax	54	49	103
Non-mining tax	4	6	10
Excess recoupments tax			
Profit after taxation	426	552	978
Net recoupments of surface capital expenditure	5	6	11
Dividend	600	—	600

DIVIDEND: A dividend (No. 73) of 10 cents (5.79611p) per share was declared on 9 June 1981, payable to members on or about 4 August 1981.

CAPITAL EXPENDITURE: There were no capital expenditure commitments at 30 June 1981.

EXPLORATION: Prospect drilling from surface to explore the Kimberley Reef horizon is continuing.

DUMP TREATMENT: Agreement in principle has been reached with Vogelstruisbult Metal Holdings Limited for Vlakfontein to treat gold bearing material from the Vogelstruisbult No. 1 Shaft waste rock dump.

CHANGE OF FINANCIAL YEAR END: For administrative reasons and subject to the approval of the relevant authorities being obtained, it is proposed to change the financial year end of the company from 31 December to 30 June. The current financial period will therefore be for eighteen months from 1 January 1981 to 30 June 1982.

On behalf of the board
P. R. Janisch
C. T. Fenton } Directors

7 July 1981

DEELKRAAL GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 99,540,000 shares of 20 cents each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Six months ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	298,000	287,000	585,000
Gold produced (kg)	1,271.6	1,207.3	2,478.9
Yield (g/t)	4.3	4.2	4.2
Price received (R/kg)	13,126	12,958	13,044
Revenue (R/t milled)	56.16	54.81	55.50
Cost (R/t milled)	45.46	42.95	44.23
Profit (R/t milled)	10.70	11.86	11.27
Revenue (R000's)	16,735	15,731	32,466
Cost (R000's)	13,547	12,328	25,875
Profit (R000's)	3,188	3,403	6,591
FINANCIAL RESULTS (R000's):			
Working profit: Gold	3,188	3,403	6,591
Net sundry revenue	502	291	793
Total Profit	3,690	3,694	7,384
Capital expenditure	1,413	1,112	2,525

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R24.1 million.

PURCHASE OF FREEHOLD PROPERTY: The company has exercised its option to purchase portions, totalling approximately 1,388 hectares, of the farms Deelkraal 142 I.Q. and Kleinfontein 141 I.Q. from Gold Fields of South Africa Limited for a cash consideration of R138,768, payable on transfer of the property into the name of this company.

CHANGE OF FINANCIAL YEAR END: For administrative reasons and subject to the approval of the relevant authorities being obtained, it is proposed to change the financial year end of the company from 31 December to 30 June. The current financial period will therefore be for eighteen months from 1 January 1981 to 30 June 1982.

DEVELOPMENT:			
Ventersdorp Contact Reef			
Advanced (m)	6,047	5,729	11,776
Sampling results:			
Sampled (m)	648	1,242	1,890
Stope width (cm)	159	146	149
Av. value: gold: (g/t)	6.0	5.1	5.4
cm. g/t.	936	745	805
Deelkraal Reef			
Advanced (m)	552	376	928
Sampling results:			
Sampled (m)	450	300	750
Stope width (cm)	185	200	191
Av. value: gold: (g/t)	2.3	4.4	3.2
cm. g/t.	426	880	611

On behalf of the board
C. T. Fenton
P. R. Janisch } Directors

7 July 1981

DOORNFONTEIN GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 10,000,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Year ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	360,000	360,000	1,440,000
Gold produced (kg)	3,024.0	3,024.0	12,192.0
Yield (g/t)	8.4	8.4	8.5
Price received (R/kg)	12,921	13,801	14,452
Revenue (R/t milled)	108.71	116.22	122.58
Cost (R/t milled)	46.05	43.41	42.99
Profit (R/t milled)	62.66	72.81	79.69
Revenue (R000's)	39,137	41,838	176,653
Cost (R000's)	16,579	15,627	61,900
Profit (R000's)	22,558	26,211	114,753
FINANCIAL RESULTS (R000's):			
Working profit: Gold	22,558	26,211	114,753
Net sundry revenue	2,440	1,795	6,788
Profit before taxation and State's share of profit	24,998	28,006	121,541
Taxation and State's share of profit	6,895	13,537	51,126
Profit after taxation and State's share of profit	18,103	14,469	70,415
Capital expenditure	11,278	5,176	32,556
Dividend	20,000	—	33,500

DIVIDEND: A dividend (No. 49) of 200 cents (115.92227p) per share was declared on 9 June 1981, payable to members on or about 4 August 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R105.7 million.

NO. 3 SHAFT: Sinking operations were stopped at a depth of 85.2 metres whilst the stage was erected in the shaft bottom. This has since been completed and the stage has been attached to the winder.

DEVELOPMENT:			
Carbon Leader			
Advanced (m)	2,521	2,897	11,511
Sampling results:			
Sampled (m)	302	574	1,828
Stope width (cm)	117	110	115
Av. value: gold: (g/t)	9.3	14.2	10.9
cm. g/t.	1,088	1,562	1,264
Main Reef			
Advanced (m)	2,718	2,417	8,892
Sampling results:			
Sampled (m)	982	734	2,894
Stope width (cm)	127	125	128
Av. value: gold: (g/t)	5.0	8.0	5.8
cm. g/t.	635	1,000	742

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3.7 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Carbon Leader	3,585,000	109	11.6	1,264
Main Reef	1,290,300	117	8.9	1,041
Total and averages	4,875,300	111	10.9	1,210

On behalf of the board
C. T. Fenton
P. R. Janisch } Directors

7 July 1981

VENTERSPOST GOLD MINING COMPANY LIMITED

ISSUED CAPITAL: 5,050,000 shares of R1 each, fully paid.

	Qtr. ended 30/6/1981	Qtr. ended 31/3/1981	Year ended 30/6/1981
OPERATING RESULTS:			
Gold:			
Ore milled (t)	345,000	345,000	1,368,000
Gold produced (kg)	1,396.0	1,380.0	5,645.3
Yield (g/t)	4.0	4.0	4.1
Price received (R/kg)	12,984	13,389	14,539
Revenue (R/t milled)	52.66	53.71	60.25
Cost (R/t milled)	42.52	39.47	40.41
Profit (R/t milled)	10.14	14.24	19.84
Revenue (R000's)	18,167	18,530	82,305
Cost (R000's)	14,670	13,617	55,196
Profit (R000's)	3,497	4,913	27,109
FINANCIAL RESULTS (R000's):			
Working profit: Gold	3,497	4,913	27,109
Profit on sale of pyrite	195	219	1,035
Recovery under loss of profits insurance	—	—	1,000
Net sundry revenue	777	643	2,345
Profit before taxation	4,469	5,775	31,489
Taxation	447	2,141	13,190
Profit after taxation	4,022	3,634	18,299
Capital expenditure	1,032	1,134	4,066
Dividend	6,818	—	11,868

DIVIDEND: A dividend (No. 82) of 135 cents (78.24753p) per share was declared on 9 June 1981, payable to members on or about 4 August 1981.

CAPITAL EXPENDITURE: The unexpended balance of authorised capital expenditure at 30 June 1981 was R11.3 million.

DEVELOPMENT:			
Main Reef			
Advanced (m)	2,058	1,517	6,637
Sampling results:			
Sampled (m)	292	128	1,302
Stope width (cm)	166	165	159
Av. value: gold: (g/t)	2.2	3.1	3.8
cm. g/t.	365	512	604
Ventersdorp Contact Reef			
Advanced (m)	234	77	544
Sampling results:			
Sampled (m)	18	Nil	38
Stope width (cm)	144	—	146
Av. value: gold: (g/t)	1.9	—	0.9
cm. g/t.	274	—	131

In addition, 156 metres were advanced in the Middelvlei area. 20 metres were sampled on the Main Reef horizon averaging 2.3 grams per ton over an estimated stope width of 138 centimetres, equivalent to 317 cm.g/t.

ORE RESERVES AT 30 JUNE 1981: The detailed ore reserves will be published in the annual report. At the prevailing pay limit of 3.8 grams per ton the reserves are as follows:—

Classification	Tons	STOPE Width (cm)	Value (g/t)	cm.g/t
Main Reef	6,938,000	157	5.2	816
Ventersdorp Contact Reef	1,719,000	163	7.4	1,206
Total and averages	8,657,000	158	5.6	885

On behalf of the board
P. R. Janisch
C. T. Fenton } Directors

7 July 1981

NOTE: Copies may be obtained from the United Kingdom Registrar: Close Registrars Limited, 803, High Road, Leyton, London, E10 7AA.

UK COMPANY NEWS

Kelvin Watson sharply lower

TAXABLE PROFITS of R. Kelvin Watson, the Manchester-based optician, fell from £702,040 to £365,193 for the year to March 31 1981 although turnover edged ahead to £5.6m, compared with £5.09m.

By mid year pre-tax profits had declined to £201,423 (£311,948) but the directors said there were indications that trading had stabilised at a lower level.

Currently, they say overall trading is not deteriorating and in certain areas of the company's business there has been a welcome, although modest, improvement.

Stated earnings per 10p share dropped sharply from 14.9p to 4.35p but a same-again final dividend of 2p maintains the total at 3.3p net.

Tax took £158,730 (£337,095). Current cost accounting reduces the pre-tax figure to £181,000.

The results for the year are described by the directors as disappointing. They say the reduced profit was due largely to the effect of the economic recession, particularly in the North West where the company has the majority of its retail outlets. In addition, there was difficulty in containing certain fixed costs where turnover had not reached expectations, and furthermore, a large part of the company's activity is concerned with manufacturing and factoring where the general level of demand was depressed.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals and the subdivisions shown below are based mainly on last year's timetable.

TODAY

Interims: Anglo American Securities, Associated Fisheries, Homfray, M & G Dual Trust.

Finals: H. P. Bulmer, Caledonian Associated Cinemas, Capital Reserve Fund, Hollas, Radiant Metal Finishing, Routledge and Kegan Paul, John Waddington.

FUTURE DATES

Interims—
Imperial Chemical Industries ... July 30
Lovell (Y. J.) ... July 23
Lows (Robert H.) ... July 17
Murray Caledonian Inv. Trust ... Aug. 10
Neil and Spencer ... July 10
Pratt (F.) Engineering ... July 20
U.C. Investments ... July 28

Finals—
Benn Brothers ... Aug. 12
Carclo Engineering ... July 13
Cawoods ... July 15
Vinten ... July 20

Export hopes and going well abroad at 600 Group

DRASTIC measures have been taken at 600 Group, the engineering concern, to bring it into line with the current trading climate which, so far, shows little change from the low level of last year. However, the group's companies are poised for an upturn and the directors expect to be more confident about the outlook for the year when making their interim report, says Sir Jack Wellings, the chairman.

"Our overseas companies continue to do well and the strengthening of the dollar against the pound during the past few weeks will substantially help our exports," he reports in his annual statement.

For 1980-81 exports rose some 14 per cent to £54m (£47m) out of total sales of £149m (£191m).

As reported June 12, taxable profit for the year to March 31, 1981 was more than halved to £4.76m (£9.6m) but a large tax credit left the net total ahead from £9.02m to £13.62m. The net dividend is held at 5.25p.

Capital spending commitments at year end were down at £4.34m (£6.1m) with £3.65m (£4.14m) authorised but not contracted. Over the year the workforce was cut to an average 4,741 (5,959) with the wage bill down from £29.43m to £26.75m.

Winterbottom Energy

A net interim dividend for the half year to May 31 1981 of 0.3p has been declared by Winterbottom Energy Trust. This, together with an expected payment of not less than 0.4p final, is in line with the forecast total of not less than 0.6p made at the time of the trust's policy change and the renaming of the former Winterbottom Trust.

Net asset value per 5p share at July 3 was up at 78.3p, compared with 74.6p at halftime and 82.3p at November 30 last. For the whole of 1979-80 a payout was equivalent to 2p with a 0.7p interim after allowing for subdivision.

Gross investment income for the half year was down at £798,164 (£838,626) before tax of £68,117 (£108,946). Available surplus was £90,623 (£218,662).

Stated earnings per share were 0.38p (0.91p).

A substantial reduction in income had been anticipated because of the change to an energy trust.

Banking figures

(as table 4 in Bank of England Quarterly Bulletin)

ELIGIBLE LIABILITIES, RESERVE ASSETS, RESERVE RATIOS, AND SPECIAL DEPOSITS

1—Banks	June 17, 1981 £m	Change on month £m
Eligible liabilities		
UK banks		
London clearing banks	35,396	—
Scottish clearing banks	4,237	+ 54
Northern Ireland banks	1,066	− 2
Accepting houses	3,506	− 1
Other	11,767	+412
Overseas banks		
American banks	7,798	+177
Japanese banks	1,133	+112
Other overseas banks	6,506	+233
Consortium banks	848	− 10
Total eligible liabilities*	72,257	+994
Reserve assets		
UK banks		
London clearing banks	3,936	+ 32
Scottish clearing banks	433	+ 18
Northern Ireland banks	133	—
Accepting houses	433	+ 53
Other	1,374	+151
Overseas banks		
American banks	899	+ 95
Japanese banks	123	+ 13
Other overseas banks	800	+ 75
Consortium banks	129	+ 8
Total reserve assets	8,258	+497
Constitution of total reserve assets		
Balances with Bank of England	513	+ 83
Money at call:		
Discount market	4,257	−190
Other	255	+ 11
UK, Northern Ireland Treasury Bills	725	+424
Other bills:		
Local authority	423	+144
Commercial	1,343	+ 36
British Government stocks with one year or less to final maturity	742	− 12
Other	—	—
Total reserve assets	8,258	+497
Ratios %		
UK banks		
London clearing banks	11.1	+ 0.2
Scottish clearing banks	10.5	+ 0.3
Northern Ireland banks	12.5	+ 0.1
Accepting houses	12.4	+ 1.5
Other	11.7	+ 0.9
Overseas banks		
American banks	11.5	+ 1.0
Japanese banks	10.9	+ 0.2
Other overseas banks	12.3	+ 0.7
Consortium banks	15.2	+ 1.1
Combined ratio	11.5	+ 0.6

	£m	£m
nb—Government stock holdings with more than one year but less than 18 months to final maturity amounted to	244	− 11
2—Finance houses		
Eligible liabilities	462	+ 30
Reserve assets	47.2	+ 2.6
Ratio (%)	10.2	− 0.1

Special deposits at June 17 were nil (unchanged) for banks and nil (unchanged) for finance houses. * Interest-bearing eligible liabilities were £53,231m (up £767m).

Dollar easier

Dollar weakened in quiet foreign exchange trading yesterday, amid uncertainty about the future trend in U.S. interest rates. U.S. domestic deposit rates and Eurodollar rates showed little change, but the dollar may have suffered from the news that the weekly money supply figures published by the Federal Reserve on Monday did not record an increase.

Sterling remained firm, but finished below the best levels of the day, and declined slightly against major European currencies after Monday's sharp rise. Nervousness about London interest rates was a major factor, but there was little reaction to the very small rise in the latest *monthly money supply figures* announced in the afternoon.

European currencies improved against the dollar. Within the European Monetary System the Belgian franc weakened but remained within its divergence limit, while the D-mark eased at the top of the system.

DOLLAR — trade-weighted index (Bank of England) fell to 110.6 from 110.5. It fell to DM 2.4440 from DM 2.45 against the D-mark, to FFr 5.7780 from FFr 5.8025 against the French franc, to SwFr 2.0890 from SwFr 2.0910 in terms of the Swiss franc, and to Y228.65 from Y230.15 against the yen.

STERLING — trade-weighted index (Bank of England) rose to 93.5 from 93.2, after opening at 93.9 and rising to 94.1 at noon. The pound opened at $1.9085-1.9095, and touched a peak of $1.9200-1.9210 in the morning. It fell to $1.8975-1.8985 in the afternoon, and closed at $1.9030-1.9040, a rise of 30 points on the day.

D-MARK—Strongest member of the European Monetary System, but losing ground once again to the strong dollar as U.S. interest rates remain firm. A reduction in Germany's large balance of payments deficit later this year, reflecting the better competitive position of German exports, may assist a recovery as long as U.S. interest rates do not show a further rise—The D-mark was fairly steady against the dollar, with the U.S. currency standing at DM 2.4450 in the late afternoon, after easing to DM 2.4445 from DM 2.4490 at the Frankfurt fixing. Despite no growth in the U.S. money supply, the dollar remained firm, helped by steady Eurodollar interest rates. The Bundesbank probably did not intervene on the open market, but gave a small amount of assistance to the D-mark at the fixing by selling $8.75m. Sterling was strong, rising to DM 4.6750 from DM 4.6130 at the fixing, while the Swiss franc improved slightly to DM 1.1714 from DM 1.1703. The Irish punt also gained ground, but other members of the EMS weakened against the D-mark.

FRENCH FRANC — Trading around the middle of the EMS and fairly steady against other European currencies despite lower domestic interest rates. It *remains very weak against the* dollar however as U.S. interest rates stay generally firm—The franc showed mixed changes at the Paris fixing, improving against the dollar and Swiss franc, but losing ground to sterling. The dollar fell to FFr 5.7820 from FFr 5.8070, and continued to ease to FFr 5.7710 in the late afternoon. Sterling declined to FFr 11.00 in late trading, from a fixing level of FFr 11.0680, compared with FFr 10.9265 on Monday. The Swiss franc fell to FFr 2.7715 from FFr 2.7765 at the fixing, while within the EMS the D-mark rose to FFr 2.3689 from FFr 2.3675.

THE POUND SPOT AND FORWARD

July 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	1.8975-1.9210	1.9030-1.9040	1.05-1.15c dis	-6.93	2.45-2.55dis	-5.25
Canada	2.2945-2.3050	2.2975-2.2985	1.20-1.40c dis	-7.09	3.35-3.55dis	-5.99
Nethlnd.	5.19½-5.21½	5.17½-5.18½	½c pm-½ dis	—	1¼-½ pm	0.68
Belgium	75.80-76.30	75.00-76.10	30-40c dis	-5.52	80-90 dis	-4.47
Denmark	14.53½-14.71	14.59½-14.57½	5½-6½ore dis	-4.94	13½-15½ dis	-3.96
Ireland	1.2705-1.2860	1.2730-1.2750	0.22-0.40p dis	-2.93	0.85-1.06dis	-3.00
W. Ger.	4.64½-4.69½	4.65-4.66	½pf pm-½ dis	0.32	2½-1½ pm	[illegible]
Portugal	122.15-123.40	122.25-122.55	85-130c dis	-9.85	195-315 dis	-7.89
Spain	184.60-185.90	184.90-185.10	105-140c dis	-7.95	265-320 dis	-6.32
Italy	2309-2329	2311-2313	25-28 lire dis	-14.31	74-77 dis	-13.05
Norway	11.52-11.68	11.54-11.55	[illegible]	[illegible]	[illegible]	[illegible]
France	10.98-11.11	10.99½-11.00½	9-9c dis	[illegible]	21½-23 dis	[illegible]
Sweden	9.81-9.92	9.82½-9.83½	1½-2½ore dis	-2.06	3½-4 dis	-1.55
Japan	434-440	435-436	2.30-2.00y pm	5.93	5.35-5.05 pm	4.77
Austria	32.70-33.10	32.73-32.78	2gro pm-3 dis	-0.18	3 pm-12 dis	-0.24
Switz.	3.96-4.01	3.97-3.98	3-4c pm	[illegible]	[illegible]	[illegible]

Belgian rate is for convertible francs. Financial franc 78.00-78.10. Six-month forward dollar 3.88-3.98c dis, 12-month 5.00-5.20c dis.

THE DOLLAR SPOT AND FORWARD

July 7	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8975-1.9210	1.9030-1.9040	1.05-1.15c dis	-6.93	2.45-2.55dis	-5.25
Ireland†	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canada	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nethlnd.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
W. Ger.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portugal	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spain	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Norway	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sweden	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Switz.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

July 7	Bank of England Index	Morgan Guaranty Changes %
Sterling	93.5	−30.6
U.S. dollar	110.6	+3.8
Canadian dollar	88.4	−17.0
Austrian schilling	116.8	+21.1
Belgian franc	104.6	+8.4
Danish kroner	86.3	−12.0
Deutsche mark	113.6	+37.5
Swiss franc	136.2	+83.5
Guilder	107.5	+14.1
French franc	82.6	−11.5
Lira	57.1	−55.8
Yen	134.7	+35.8

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

July 6	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.604331	0.547743
U.S. $	14	1.13703	1.03250
Canadian $	19.06	1.36671	1.24137
Austria Sch.	6¾	19.5342	17.6809
Belgian F	13	45.3233	41.3514
Danish K	11	8.75012	7.99493
D mark	7½	2.78450	2.52807
Guilder	9	3.08824	2.80785
French Fr	9½	6.60275	5.98847
Lira	19	1363.77	1235.39
Yen	6¼	259.925	237.267
Norwgn. Kr.	9	6.95475	6.33187
Spanish Pts.	8	110.250	100.777
Swedish Kr.	11	5.67210	5.15490
Swiss Fr.	6	2.35745	2.15702
Greek Dr'ch.	20½	Unavail.	61.7561

OTHER CURRENCIES

July 7	£	$		£ Note Rates
Argentina Peso	8723-8743†	4579-4589†	Austria	33.75-33.05
Australia Dollar	1.6600-1.6640	0.8725-0.8750	Belgium	78.70-79.50
Brazil Cruzeiro	173.18-174.18	90.99-91.40	Denmark	14.60-14.75
Finland Markka	8.58-8.59	4.5110-4.5130	France	11.00-11.10
Greek Drachma	111.218-118.394	59.55-59.75	Germany	4.65-4.70
Hong Kong Dollar	10.676-10.694	5.6150-5.6200	Italy	2270-2325
Iran Rial	159.35*	81.05*	Japan	435-444
Kuwait Dinar (KD)	0.559-0.545	0.2830-0.2833	Netherlands	5.17¼-5.21¼
Luxembourg Fr.	75.00-76.10	40.00-40.02	Norway	11.56-11.66
Malaysia Dollar	4.4450-4.4550	2.3395-2.3415	Portugal	119½-123
New Zealand Dlr.	2.2525-2.2575	1.1855-1.1865	Spain	179½-186
Saudi Arab. Riyal	6.50-6.56	3.4095-3.4115	Sweden	9.80-9.90
Singapore Dollar	4.0950-4.1050	2.1550-2.1570	Switzerland	3.94-4.02
Sth. African Rand	1.7150-1.7170	0.9010-0.9020	United States	1.89½-1.91
U.A.E. Dirham	7.01-7.07	3.6715-3.6735	Yugoslavia	69-79

† Rate given for Argentina is the commercial rate. The financial rate for sterling is 11,753-11,763 and for the dollar 6,150-6,200. * Selling rate.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU July 7	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	40.7985	41.4036	+1.48	+1.43	±1.5301
Danish Krone	7.91917	7.94512	+0.33	+0.33	±1.6413
German D-Mark	2.54502	2.53339	−0.46	−0.46	±1.1325
French Franc	5.99526	5.99681	+0.06	+0.06	±1.3638
Dutch Guilder	2.81318	2.81756	+0.17	+0.17	±1.5159
Irish Punt	0.685145	0.69330	+1.29	+1.29	±1.6689
Italian Lira	1262.92	1260.21	−0.21	−0.21	±4.1116

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

July 7	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	1.904	4.665	435.5	11.00	3.975	5.178	2312.	2.288	76.05
U.S. Dollar	0.525	1.	2.445	228.8	5.779	2.088	2.720	1215.	1.203	39.95
Deutschemark	0.215	0.409	1.	93.56	2.363	0.854	1.112	496.7	0.492	16.34
Japanese Yen 1,000	2.296	4.371	10.69	1000.	25.26	9.127	11.89	5309.	5.254	174.6
French Franc 10	0.909	1.730	4.232	395.9	10.	3.614	4.707	2102.	2.080	69.14
Swiss Franc	0.252	0.479	1.171	109.6	2.767	1.	1.303	581.6	0.576	19.13
Dutch Guilder	0.193	0.368	0.899	84.11	2.125	0.768	1.	446.5	0.442	14.69
Italian Lira 1,000	0.433	0.823	2.013	188.4	4.758	1.719	2.239	1000.	0.990	32.89
Canadian Dollar	0.437	0.832	2.035	190.5	4.808	1.737	2.263	1010.	1.	33.24
Belgian Franc 100	1.315	2.503	6.121	572.6	14.46	5.227	6.808	3040.	3.009	100.

FT LONDON INTERBANK FIXING (11.00 a.m. JULY 7)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 1/4	offer 18 3/8	bid 17 5/8	offer 17 11/16

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

July 7	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	12-12¼	19⅝-19⅞	18½-19½	11⅞-12	5-6	11¾-11⅞	20-25	25-30	11-13	6⅛-6⅝
7 days' notice	12¼-12½	19⅜-19⅝	18½-19⅛	11 15/16-12 1/16	5½-6	11¾-11⅞	20-25	25¾-27¼	12-14	6½-6¾
Month	12⅝-12¾	18¾-19	19¼-19⅝	12-12⅛	9 1/16-9 3/16	12 1/16-12 3/16	21-23	25½-26½	18⅛-18⅝	6 11/16-7 1/16
Three months	13¼-13½	18¼-18½	19⅛-19½	12-12⅛	9 11/16-10 1/16	12 1/16-12 3/16	20¾-22	25⅞-26⅞	17 1/16-18 1/16	7⅜-7⅝
Six months	13½-13⅝	17⅝-17⅞	18⅜-18¾	12-12⅛	10 1/16-10 3/16	12 3/16-12 5/16	19¾-20½	25½-26½	17⅜-17⅞	7¾-8
One Year	13⅝-13⅞	16⅝-16⅞	17⅝-18	12-12⅛	9¼-9⅝	12¼-12⅜	18½-19¼	24½-25½	16½-16¾	8⅛-8⅜

SDR linked deposits: one-month 15¾-15⅞ per cent; three months 15 5/16-15 11/16 per cent; six months 15¼-15⅝ per cent; one-year 14⅞-15 per cent.

ECU linked deposits: one-month 15¼-15½ per cent; three months 15 7/16-15 13/16 per cent; six months 15¼-15⅝ per cent; one-year 15-15⅜ per cent.

Asian $ (closing rates in Singapore): one-month 18¾-18⅞ per cent; three months 18¼-18⅜ per cent; six months 17½-17⅝ per cent; one-year 16 11/16-16 13/16 per cent.

Long-term Eurodollar two years 15⅞-16⅛ per cent; three years 15 11/16-15 13/16 per cent; four years 15¾-16 per cent; five years 15½-15¾ per cent; nominal closing rates.

The following nominal rates were quoted for London dollar certificates of deposit: one-month 18.40-18.55 per cent; three months 17.65-17.75 per cent; six months 17.00-17.10 per cent; one-year 16.20-16.40 per cent.

INTERNATIONAL MONEY MARKET

European rates mixed

European interest rates showed little overall change yesterday. In Paris longer-term rates tended to ease while call money remained at 18⅝ per cent. One-month money eased to 17 15/16 per cent from 18⅝ per cent and the three-month rate was lower at 17½ per cent compared with 17⅞ per cent. Six-month money was also lower at 16 15/16 per cent against 17¼ per cent.

In Frankfurt call money was quoted at 12 per cent compared with 11.95 per cent on Monday and the special Lombard facility remained open at 12 per cent. One-month money stood at 12.75-12.80 per cent against 12.70-12.80 per cent with three-month funds at 12.95-13.00 per cent from 12.90-13.00 per cent. The one-year rate was higher at 12.80-12.90 per cent compared with 12.60-12.80 per cent.

In Amsterdam call money was quoted at 11.625-11.875 per cent compared with 11.75-11.875 per cent on Monday while one- to 12-month money rose by one-eighth of a point to 11.875-12.125 per cent.

In Singapore the Overseas Union Bank increased its prime rate to 13¼ per cent from 13 per cent following a similar move by *two of the other big four banks*, Development Bank of Singapore and United Overseas Bank Group. Earlier in the day the remaining bank, Oversea-Chinese Banking Corporation had announced a quarter point rise to 13¼ per cent.

UK MONEY MARKET

Small help

Bank of England Minimum Lending Rate 12 per cent
(from March 10 1981)

Discount houses started the day facing a moderate shortage according to the Bank of England's early forecast. Soon *after mid-day the Bank arranged* sale and repurchase agreements with some of the houses where the latter sold a small amount of eligible bank bills, local authority bills and Treasury bills to the Bank at a rate between 12 per cent and 12¼ per cent, agreeing to buy them back only July 9. There was no further assistance given. However the authorities had based their early forecast on a moderate excess of revenue transfers to the Exchequer over Government disbursements and this suffered a late swing to end up flat, thus leaving more funds in the market than required.

This was underlined by the low rate paid for secured call loans by the houses later in the day. Rates fell to around 5 per cent, having started nearer 11½ per cent. Other than the revenue swing there were no appreciable factors affecting *market liquidity*. The early shortage was convenient in allowing the authorities to reassert their desire to see short term levels within a certain band, namely 12-12¼ per cent, probably 1 per cent higher than the ruling level last week.

GOLD

Slight rise

Gold rose $3 to close at $406-408 in the London bullion market yesterday, the highest level of the day. The metal opened at $404-406, and was fixed at $403.50 in the morning and $405.00 in the afternoon. It touched a low point of $402-404.

In Paris the 12½ kilo gold bar was fixed at FFr 88,600 per kilo ($476.61 per ounce) in the afternoon, compared with FFr 88,500 ($475.41) in the morning, and FFr 88,000 ($471.35) Monday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 31,850 per kilo ($405.01 per ounce), against DM 31,855 ($404.99) previously, and closed at $404-406, compared with $403-405.

In Luxembourg the 12½ kilo bar was fixed at LFr 542,000 per kilo ($406.50 per ounce), compared with LFr 541,000 ($404).

In Zurich gold finished at $404-407, against $402-405.

	July 7		July 6	
Gold Bullion (fine ounce)				
Close	$406-408	(£213½-214½)	$403-405	(£213-214)
Opening	$404-406	(£211¼-212¼)	$406-408	(£214-215)
Morning fixing	$403.50	(£210.486)	$403.50	(£213.492)
Afternoon fixing	$405	(£212.822)	$403.75	(£213.817)
Gold Coins				
Krugerrand	$420-421	(£220½-221)	$417-418	(£219¾-220¼)
1/2 Krugerrand	$216¼-217¼	(£113½-114)	$214½-215½	(£113-113½)
1/4 Krugerrand	$110-111	(£57¾-58¼)	$109½-110¼	(£57½-58)
1/10 Krugerrand	$45-46	(£23½-24)	$44½-45½	(£23½-24)
Mapleleaf	$409-412	(£214¾-216¼)	$406-409	(£213¾-215¼)
New Sovereigns	$102-102¾	(£53½-54)	$101½-102¼	(£53½-54)
King Sovereigns	$108-110	(£56¾-57¾)	$108-110	(£57-58)
Victoria Sovs.	$108-110	(£56¾-57¾)	$108-110	(£57-58)
French 20s	$107-112	(£56-58¾)	$108-114	(£56¾-60)
50 pesos Mexico	$504-508	(£264½-266½)	$498-504	(£262¾-265½)
100 Cor. Austria	$393-399	(£206¼-209½)	$390-396	(£205½-208½)
$20 Eagles	$539-544	(£283-285½)	$536-540	(£281¾-284½)

LONDON MONEY RATES

July 7 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ♦	Eligible Bank Bills ♦	Fine Trade Bills ♦
Overnight	—	5-12	11¾-12¼	—	—	11½-12½	5-12	—	—	—
2 days notice	—	—	12-12¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	11¾-12⅛	12¼-12½	—	12⅝	12½-12¾	11½-11⅝	—	—	—
One month	12⅝-12½	12 1/16-12⅞	12¾	15¾-15⅜	12⅞	13-13¼	12	12¼-12⅜	12⅝-12½	13
Two months	13 1/16-12 15/16	13-13 1/16	—	13¾-13⅜	13⅛	13⅝	12¼	12½-12¾	12 9/16-12 11/16	13⅝
Three months	13 1/16-13	13¼-13⅝	13½	13⅞-13⅜	13⅝	13⅝-13¾	12½	12⅝-12¾	12 9/16-12 11/16	13½
Six months	13 7/16-13 5/16	13⅝-13⅞	13⅝	13¼-13¼	13 9/16	13⅞	—	—	12 15/16	13⅝
Nine months	13 5/16-13 7/16	13⅝-13 13/16	—	14-13½	14	14	—	—	—	—
One year	13 7/16-13⅛	13 15/16-14	13⅞	14-13½	14⅛	14	—	—	—	—
Two years	—	—	14¼	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 14¾ per cent; four years 14½ per cent; five years 14⅞ per cent. ♦Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12 13/16 per cent; four months trade bills 13½ per cent.

Approximate selling rate for one-month Treasury bills 12-12⅛ per cent; two months 12⅛ per cent; three months 12⅛ per cent. Approximate selling rate for one-month bank bills 12⅛-12⅜ per cent; two months 12⅜-12½ per cent; three months 12 7/16-12 9/16 per cent; one-month trade bills 12⅞ per cent; two months 13⅛ per cent and three months 13⅛ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 13 per cent from July 1 1981. Clearing Bank Deposit Rates for sums at seven days' notice 9 per cent. Clearing Bank Rates for lending 12 per cent. Treasury Bills: Average tender rates of discount 11.9839 per cent.

MONEY RATES

NEW YORK	
Prime Rate	20-20½
Fed. Funds	19⅞-20⅛
Treasury bills (13-week)	14.60
Treasury bills (26-week)	14.16
GERMANY	
Special Lombard	12.0
Overnight rate	12.0
One month	12.775
Three months	12.975
Six months	12.975
FRANCE	
Intervention rate	19.75
Overnight rate	18.75
One month	17.9375
Three months	17.75
Six months	16.8125
JAPAN	
Discount rate	6.25
Call (unconditional)	7.3125
Bill discount (three-month)	7.46875

London Clearing Banks' balances

as at June 17, 1981

THE TABLES below provide the first monthly indication of the trends of bank lending and deposits, ahead of the more comprehensive banking and money supply figures published later by the Bank of England. Tables 1, 2 and 3 are prepared by the London clearing banks. Tables 1 and 2 cover the business of their offices and their subsidiaries (excluding Scottish and Northern Ireland banks) in England and Wales, the Channel Islands and the Isle of Man which are treated by the Bank of England as falling within the banking sector. Table 3 covers the parent banks only. In this, it is comparable with the figures produced by the Bank of England, which show the reserve positions of all the banking sectors subject to credit control. Minor differences here arise from the exclusion from the clearing bank figures of Coutts, a subsidiary of National Westminster but a clearing bank in its own right.

TABLE 1.
AGGREGATE BALANCES

LIABILITIES	Total outstanding £m	£m	Change on month £m	£m
Sterling deposits:				
UK banking sector	6,835		+ 389	
UK private sector	43,351		+ 232	
UK public sector	539		+ 5	
Overseas residents	4,712		+ 50	
Certificates of deposit	1,886		+ 4	
		56,453		+ 679
of which: Sight		19,310		− 465
Time (inc. CD's)		37,143		+1,144
Foreign currency deposits:				
UK banking sector	10,785		+ 909	
Other UK residents	2,742		+ 225	
Overseas residents	23,438		+1,283	
Certificates of deposit	2,189		+ 151	
		39,155		+2,577
Total deposits		95,609		+3,456
Other liabilities*		13,428		− 1
TOTAL LIABILITIES		109,036		+3,455
ASSETS				
Sterling				
Cash and balances with Bank of England		1,400		+ 27
Market loans:				
Discount market	2,511		− 13	
UK banks	10,458		+ 653	
Certificates of deposit	1,360		− 58	
Local authorities	1,290		− 5	
Other	1,496		+ 59	
		17,115		+ 639
Bills:				
Treasury bills	406		+ 279	
Other bills	1,723		+ 248	
		2,129		+ 527
Special deposits with Bank of England		—		—
Investments:				
British Government stocks	2,674		− 48	
Other	2,202		+ 83	
		4,875		+ 36
Advances:				
UK private sector	32,066		+ 115	
UK public sector	279		− 14	
Overseas residents	3,065		+ 10	
		35,410		+ 112
Other sterling assets*		7,460		− 237
Foreign currencies				
Market loans:				
UK banks and discount market	10,124		+ 985	
Certificates of deposit	494		+ 130	
Other	16,649		+ 752	
		27,376		+1,867
Bills		43		− 6
Advances:				
UK private sector	2,434		+ 149	
UK public sector	490		− 212	
Overseas residents	8,247		+ 492	
		11,171		+ 429
Other foreign currency assets*		2,082		+ 62
TOTAL ASSETS		109,036		+3,455
Acceptances		1,226		− 6

* Includes items in suspense and in transit.

TABLE 3. INDIVIDUAL GROUPS OF BANKS' BALANCES

	TOTAL Out-standing £m	Change on month £m	BARCLAYS Out-standing £m	Change on month £m	LLOYDS Out-standing £m	Change on month £m	MIDLAND Out-standing £m	Change on month £m	NATIONAL WESTMINSTER Out-standing £m	Change on month £m	WILLIAMS & GLYN'S Out-standing £m	Change on month £m
LIABILITIES												
Total deposits	95,609	+3,456	37,897	+1,212	17,068	+1,039	19,894	+574	27,834	+454	2,916	+117
ASSETS												
Cash and balances with Bank of England	1,400	+ 27	425	− 40	246	− 15	279	+ 18	415	+ 81	34	− 16
Market loans:												
UK banks and discount market	23,692	+1,628	6,486	+421	3,603	+531	3,489	+190	8,807	+508	705	− 21
Other	21,399	+878	6,615	+597	4,618	+199	3,893	+264	5,554	−213	729	+ 90
Bills	2,178	+520	511	+139	611	+195	570	+118	419	+ 29	67	+ 39
British Government stocks	2,674	− 48	861	− 10	468	− 7	714	− 28	557	− 4	74	—
Advances	46,880	+541	12,698	+151	8,189	+249	10,583	+ 86	12,738	+ 52	1,371	+ 3

TABLE 3. CREDIT CONTROL INFORMATION
(Parent banks only)

	TOTAL Out-standing	Change on month	BARCLAYS Out-standing	Change on month	LLOYDS Out-standing	Change on month	MIDLAND Out-standing	Change on month	NATIONAL WESTMINSTER Out-standing	Change on month	WILLIAMS & GLYN'S Out-standing	Change on month
Eligible liabilities	35,314	+ 1	11,132	+183	5,598	− 67	8,413	−100	8,883	− 5	1,188	− 10
Reserve assets	3,915	+ 80	1,152	+ 4	623	− 71	931	+ 27	1,089	+124	129	− 4
Reserve ratio (%)	11.1	+ 0.2	10.3	− 0.2	11.2	− 1.1	10.9	+ 0.4	12.3	+ 1.4	10.8	− 0.3

Air Florida seeks control of Western Air Lines

BY DAVID LASCELLES IN NEW YORK

AIR FLORIDA, one of several aggressive regional carriers which are shaking up the U.S. airline industry, revealed this week that it has bought nearly 10 per cent of Western Air Lines of California and wants to acquire a majority holding.

Air Florida, which is based in Miami, tried unsuccessfully earlier this year to break into the California market by bidding for Air California, which was auctioned under the Receiver's hammer.

Western is a struggling West Coast carrier which has been piling up sizable losses because of the decline in passenger traffic. The company was hoping to forge a new future for itself by merging with Continental Airlines, another West Coast carrier. But those plans were thwarted when Continental fell prey to a bid by Texas Air, a regional carrier in the same mould as Air Florida, though the final outcome of that bid is still in doubt.

Western has a market capitalisation of about $150m. If Air Florida wins control of Western, it intends to maintain its separate identity. But Western's routes would presumably be integrated with Air Florida's which are predominantly on the east and south coasts of the U.S., with international routes to the Caribbean and London.

Western Air Lines declined immediate comment on Air Florida's proposed bid for control. Western said it had not received advance notice of Air Florida's intentions.

Western disclosed in May that Air Florida had acquired 500,000 shares or about 4 per cent of Western's outstanding common.

Mr Edward Acker, chairman of Air Florida said that, although the present intention of Air Florida is to attempt to acquire control of Western, the manner of acquiring control and the percentage of the securities of Western which Air Florida may wish to acquire has not been established.

Renewed growth lifts General Mills

By Our Financial Staff

RENEWED GROWTH in profits in the final quarter has enabled General Mills, a leading U.S. packaged foods company, to exceed Wall Street forecasts for fiscal 1981. The board said: "We are entering fiscal 1982 with strong momentum and expect to maintain our long term record of growth."

Earnings for the fiscal year ended May 31 are 16 per cent up at $196.6m or $3.90 a share, on sales 17 per cent higher at $4.86bn. Wall Street has predicted a growth in earnings to $4.35 a share in fiscal 1982.

The final quarter turned in profits of $37m, about 8 per cent up on the comparable period, with sales bounding ahead by 24 per cent to $1.26bn.

General Mills, which earns half its profits from the sale of consumer foods, recorded a "flat" third quarter followed by the slight fourth quarter upturn.

Last month, the board raised the dividend from 37 cents to 41 cents a share and predicted "favourable" results at the year end.

About 7 per cent of group profits now come from outside the U.S. The most recent foreign move was the recent acquisition in the UK of Airfix, the Meccano and Dinky Toys group which collapsed financially.

General Mills has diversified successfully into toys and games as well as into clothing and furniture. The toys business has been showing signs of recovery after an adverse trend last Christmas.

Major expansion is expected from the restaurant chain, which at present brings in about 14 per cent of profits. The chain consists mainly of Red Lobster Inns, of which there are nearly 300 in operation, and York Steak Houses, with about 116 outlets.

In March the board authorised the periodic repurchase of the company's shares in order to maintain a treasury of up to 750,000 shares, compared with 174,000 previously. The shares are earmarked for general corporate purposes.

A lower Lifo inventory charge is expected to boost food earnings in the coming year and the creative products section is likely to increase its 15 per cent share of group profits.

WALL STREET EXPECTS FURTHER OIL DEALS

Texaco considered Conoco merger

BY PAUL BETTS IN NEW YORK

TEXACO, the third largest U.S. oil company, was considering a merger with Conoco before Du Pont stepped in with its record bid of nearly $7bn.

Texaco yesterday confirmed it had been approached by Conoco on a possible merger which would have created the world's second largest oil company after Exxon. Conoco is the ninth largest U.S. oil company and the country's second largest coal producer.

The two companies are believed to have come close to an agreement. Indeed, Conoco revealed that an unnamed company had offered $85 a share before it agreed to a higher bid from Du Pont. The chemicals company announced on Monday it was offering $87.50 a share cash for 40 per cent of Conoco's stock and 1.6 Du Pont shares for each remaining Conoco share.

Although Texaco failed to reach a definitive agreement with Conoco, it may well be back looking for a major acquisition.

There are suggestions on Wall Street that Texaco might yet make a bid for Conoco. But there is even greater speculation that Texaco might be considering a business combination with Cities Service, the 19th largest U.S. oil group, which only last week came close to agreeing terms with Conoco.

Texaco has been seeking for some time to build up its domestic U.S. oil and gas reserves and its holdings of undeveloped exploration areas are small for an oil company of its size. In turn, Cities Service has substantial undeveloped acreage in the U.S. but does not have the financial resources fully to exploit and develop these holdings.

In view of a possible move by Texaco, Cities Service shares opened after a brief delay on the New York Stock Exchange at $57.50, up $2.50 on the previous day's close.

At the same time, the Du Pont-Conoco transaction continued to cause considerable excitement on Wall Street. Moreover, the stock market was also keenly awaiting the next move by Seagram of Canada after what amounts to another stinging rebuff by a large U.S. company to the Canadian distiller and drinks group.

After failing in its $2bn bid to take-over St Joe Minerals, Seagram had offered $73 a share for 41 per cent of Conoco's stock in a deal worth $2.5bn.

Seagram continued to remain silent yesterday on the Conoco-Du Pont agreement but Wall Street did not expect the Canadian company to enter a bidding war with the U.S. chemicals group. But this still leaves Seagram with a cash hoard of about $3.7bn with which to launch a take-over bid.

Analysts on Wall Street expressed mixed feelings on the Conoco-Du Pont deal. Some said they were surprised that a tightly managed company such as Du Pont should take such a plunge as seeking to acquire a larger, and in many respects different, corporate animal. The deal clearly will have major implicationse for Du Pont and significantly change the nature of the company.

Although the acquisition could hurt Du Pont's earnings per share, in the short term, many analysts expect Du Pont to emerge as a much stronger company in the long run.

Du Pont said that it would have to borrow $3bn from a group of major banks to finance the cash element of its bid. In a filing with the Securities and Exchange Commission on Monday night, Du Pont indicated that the loan would be fixed on Chase Manhattan's prime rate, which is currently at 20.5 per cent. This also suggests that Chase Manhattan will probably lead the lending consortium.

At the same time, Du Pont, which enjoys a triple A credit rating, could eventually decide to float a substantial bond issue to reduce the cost of securing funds for the acquisition. Both Du Pont and Conoco also have very conservative balance sheets and a low level of debt. Thus Du Pont could clearly afford to increase substantially its debt and remain with an acceptable ratio of borrowed funds to equity.

The Wall Street investment banks involved in the Conoco-Du Pont deal are Morgan Stanley for Conoco and First Boston for Du Pont. Morgan Stanley for some time has been looking for a white knight to block Seagram's unwelcome bid for Conoco.

Dravo buys barge line from Olin for $35m

By Our Financial Staff

DRAVO CORPORATION, the U.S. construction engineering, manufacturing and transport group, is to buy Nilo Barge Line from Olin Corporation for $35m.

The acquisition includes 180 dry cargo barges, four river tow boats, an operation in the Gulf of Mexico and support services. In May Dravo revealed it was holding talks on the acquisition.

Dravo already has considerable barge operations, operating a fleet of 18 tow boats and 575 barges through its Dravo Mechling subsidiary. Its manufacturing division also builds tow boats and barges.

The company said yesterday that lease financing would account for much of the $35m takeover price for Nilo.

The transportation operations of Dravo last year contributed about 7 per cent of total revenues of $1.1bn, or roughly $78m and turned in profits of around $10m.

Citicorp launches $100m fixed interest rate bond

BY FRANCIS GHILES

CITICORP of New York, parent company of the largest bank in the world, Citibank, is arranging a $100m fixed interest dollar Eurobond to 1986 which carries an indicated coupon of 15 per cent and a price of 99.

If the selling concession of 1¼ granted to large institutional investors is taken into account, the bonds will yield 15.68 per cent. Lead manager of this issue is Morgan Stanley.

The last U.S. dollar denominated Eurobond for Citicorp was a 15¼ per cent bond to 1984 arranged through Credit Suisse First Boston in late May. That issue was quoted at 100¼ in the middle yesterday, at which level it yields 15.17 per cent.

Prices of seasoned straight dollar bonds were unchanged yesterday in the wake of the rise in the New York market after Monday night's announcement of unchanged U.S. money supply figures.

While many Eurobond dealers have been hoping that the Federal Reserve Open Market Committee would allow interest rates in the U.S. to ease, few appear to believe that such a decision is likely, or to hold out much hope for any improvement in bond prices this week.

After the launch on Monday evening of a $15m convertible for Texas General Resources, the U.S. gas and oil drilling company, the same borrower is arranging a $15m Swiss franc equivalent amounting to SwFr 30m in the form of a seven-year private placement which carries an indicated coupon of 7¼ per cent and a conversion premium of 20 per cent.

The French State railway, SNCF is arranging a 10-year SwFr 100m public issue which carries a coupon of 7¼ per cent and a price of 100¼ through Soditic.

NL may sell metal fabricating businesses

By Our Financial Staff

NL INDUSTRIES, which is pushing strongly into the oilfield services industry, is looking closely at its metal fabricating interests, a move which may result in the sale of these activities.

The companies involved make a variety of castings, fasteners, bearing and tooling and prototype assemblies.

NL expanded rapidly in oilfield services through the 1970s and had a major presence through its Baroids division, which supplies drilling mud and other services. Earlier this year it took over the Sperry-Sun division of Sun Company, the U.S. integrated oil group.

The company also had wireline service, pressure control equipment and tubular connection activities, to which Sun brought particular skills in directional drilling.

The metal fabricating divisions last year accounted for about 15 per cent of total sales of almost $2.2bn and despite the slump in the motor market contributed around 3 per cent of operating profits of $357m. They also accounted for $140m, or about 8 per cent, of total assets, NL said.

NL has retained Lehman Brothers Kuhn Loeb, the investment bankers, to help it in its review.

GM sticks to new model plans

BY IAN HARGREAVES IN NEW YORK

GENERAL MOTORS is sticking with its product introduction programmes and its forecast of a steady growth in U.S. demand for cars in the 1980s in spite of recent figures showing yet another slip in the level of domestic demand for cars.

Mr James McDonald, GM's president, said at a meeting of Wall Street analysts yesterday the company still considered the 18-month slump in the car and truck markets a function of general problems in the economy rather than a reflection of any deeper underlying change in the pattern of car ownership and use in the U.S.

He said that GM was still forecasting an average rate of growth in the car and truck market of 2 per cent a year in the 1980s, leading to demand for 17.5m cars and trucks in 1990. This compares with sales last year of only 11m cars and trucks and with peak sales of 15.4m units in 1978.

As a result of this fundamental optimism about the market and about GM's ability to gain market share, Mr McDonald said, GM would be spending more than $8bn on capital expenditures this year, a little more than forecast earlier in the year, and would not be making any change to planned product launches.

"I don't see any reason right now for changing any of our product programme," he said.

GM, which has suffered a 2 per cent loss of market share in the U.S. in the past year as its competitors have rushed out new models, expects to recoup that loss with increased production of the recently launched J-car subcompact.

Some J-car factories recently started operating on overtime and Mr McDonald said the company now had about 32,000 J-cars in stock on or their way to dealers. The company had built up a solid order book for the car to the end of this year.

Mr McDonald was also optimistic on a number of other issues critical to the industry's future.

On labour costs and productivity, where GM says it is suffering an $8 per hour wage cost differential against Japanese manufacturers, Mr McDonald said he could detect a "changed environment" in GM's relations with the United Autoworkers Union with whom it must bargain next summer for a new three-year contract.

Mr McDonald also claimed that GM had now started to see real improvements in quality and efficiency from its programmes to improve employee communications and input on the shop floor.

Kroger second period margins weaker

BY OUR FINANCIAL STAFF

KROGER COMPANY, the U.S. supermarkets and drug store group, raised sales by 13 per cent in its second quarter but could manage only a 6 per cent increase in net profits.

Sales for the quarter totalled $2.59bn compared with $2.29bn in the June period of 1980 and net profits came out at $28.6m against $27m. At the per share level earnings were unchanged at 98 cents a share.

The company attributed the improvement in the quarter and for the six months to higher investment tax credits.

Kroger is steadily expanding its chain of 1,200 supermarkets and 500 drug stores and in the first six months it opened 49 of the 110 stores it intends bringing into service this year.

For the half year Kroger pushed up net earnings by 14.2 per cent from $39.4m to $45m, reflecting the recovery in the first quarter from the strike-hit period of 1980. Sales totalled $5.07bn against $4.48bn, up 13 per cent, while earnings per share were $1.58 against $1.43.

German coal liquefaction plan studied

By Our Financial Staff

PLANS FOR a coal liquefaction plant to produce almost 1m tonnes of petrol a year are being studied jointly by Deutsche BP and Saarbergwerke, the West German coal group.

If an initial pilot project proves successful and the German authorities give their blessing to the scheme, the two companies could start construction in 1984. Eventually the plant may be capable of providing 5 per cent of Germany's petrol needs.

The plant could probably go into operation between 1988 and 1990 and would use 2.3m tonnes of hard coal a year produced by Saarbergwerke. Construction costs are put at DM 3bn ($1.2bn).

Saarbergwerke said the coal will be converted by a modernised form of the direct liquefaction process, which was first developed more than 30 years ago. The price of petrol produced by the process would be 50 to 60 pfennigs more per litre than current petrol pump prices of DM 1.44 to DM 1.49.

Saarbergwerke said it has not been decided yet whether the German Government would help the project by sharing in the investment cost or by reducing the tax rate for petrol produced by the plant.

Sites at Saarlouis and Neunkirchen in the south German state of Saarland were being considered for the plant.

Sohio in solar energy deal

By Maurice Samuelson

STANDARD OIL of Ohio (Sohio) has gone into partnership with Energy Conversion Devices (ECD) of Troy, Michigan, to develop and market solar energy voltaic products.

In the first phase of the agreement, Sohio will invest up to $12m, followed by an additional $65m if Sohio participates in a programme to manufacture photovoltaic cells commercially.

ECD, founded by Mr Stanford Ovshinsky, also has a joint development programme with Atlantic Richfield which will continue.

It employs 200 people and is trying to develop amorphous silicon materials for photovoltaic energy, semiconductors for chip technology and optical high imagery film.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Monday July 13.

Closing prices on July 7

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Am. Air. 15¾ 86 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amoco 13½ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 14½ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC 15¾ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNA 15¼ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNE 12⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 12 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S 15¼ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dupont Canada 13⅞ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB 15⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eldorado 13⅝ 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France 13⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Export Dev. Cpn. 15⅛ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Bk. 15¾ 85 (N)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fed. Bk. 15⅞ 84 (J)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Exp. Credit 16⅛ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of 15⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Cr. O/S Fin. 15 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ford Cr. O/S Fin. 15 85	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gaz de France 13⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 13⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GMAC O/S Fin. 14⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Mts. O/S 11⅞ 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GTE Fin. 13⅝ 86 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker 18 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IBM WW Trade 14⅞ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
IBM WW Trade 14⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland 13⅞ 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nova Scotia 15 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ontario Hydro 13⅜ 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Queb. Hy. 13 87 (WW)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Bk. Canada 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SNCF 15 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sth. California 14 87	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sth. California 14⅞ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sven Handbk. 13⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Credit 13 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. 15¾ 88	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Toronto-Dom. Bk. 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tribune O/S Fin. 14 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Wells Fargo Int. 15½ 84	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 15⅝ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 14⅞ 86	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bank 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Austria, Rep. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 10 92	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Council of Europe 10 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
ESCOM [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Iberduero [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bk. Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Am. Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Air Lines [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kobe, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nucleibras [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Venezuela [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 8 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Aeroport Paris [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BFCE [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bayer Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bergen, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bhrmn.-Tetterode 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Denmark [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dome Petroleum [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Elec. de France [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
G. H. Hypo. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Franc. Petroles [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gestetner 7 91	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int.-Amer. Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Japan Dev. Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Mt. Blanc Tunnel [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Newfoundland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Oslo, City of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Philips Lamps [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cred. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Trade Dev. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Voest-Alpine [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
World Bank 7 90	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Asian Dev. Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Australia [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Finland, Rep. of [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day 0 on week 0

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Bell Canada [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CIBC [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Federal Dev. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fst. Can. Inv. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
R. Bk. Canada [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tordom Cpn. [illegible] C$	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

OTHER STRAIGHTS (continued)	Issued	Bid	Offer	Change on day	Change on week	Yield
Mt. Bk. Bnmk. [illegible] EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
SOFTE [illegible] EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Bk. Nwy. [illegible] EUA	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Algemene Bk. [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Amro Bank 12 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Heineken NV [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Int. Nedrlnds. [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ned. Midd. Bk. [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pierson [illegible] Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rabobank 12 86 Fl	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Air France [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bk. America [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Charb'nages [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
La Redoute [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
OKB 14 86 FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Solvay et C. [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. E. Cr. [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
U. Mex. Sts. [illegible] FFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Acona [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Beneficial [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CECA [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fin. Ex. Cred. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Gen. Elec. Co. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hiram Walker [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Privatbanken [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Rothschild [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Royal Trustco [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swed. Ex. Cr. [illegible] £	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Akzo [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Euratom [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Eurofima [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
EIB [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Volvo [illegible] LuxFr	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Bank of Montreal [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bank of Tokyo [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BBL Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
BNP [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Christiania Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Citicorp O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
C. Itoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
CNT [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Co-operative Bk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Den Norske Credit [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genfinance [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Genfinance [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Giro und Bank [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
GZB [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ind. Bank Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Lloyds Eurofin [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
LTCB Japan [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Man. Hanov. O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Merrill Lynch O/S [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Midland Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nacional Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. Bk. Canada [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Nat. West. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Pemex [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Scandinavian [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Standard Char. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Svenska Hndlsbk. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
Ajinomoto [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Bow Valley Inv. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Canon [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Credit Suisse [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Digicon Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Fujitsu [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Furukawa Elec. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Hanson O/S Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Inchcape [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Kotobukiya Co [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marion Int. Fin. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Marui [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Matsushita El [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
NKK [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Ricoh [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sumitomo M. Ind. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Bk. Cpn. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Taylor Woodrow [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Transco Int. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Tricorp [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Union Bk. Switz. [illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sharp Cpn. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Uny Co. [illegible] DM	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

Fiat in co-operation talks with Alfa Romeo

By Rupert Cornwell in Rome

ITALY'S two major motor groups, Fiat and Alfa Romeo, are studying plans for co-operation which could possibly lead to joint ventures between the two arch rivals.

Confirmation came yesterday that the discussions, which were referred to last week by Sig Giovanni Agnelli, Fiat's president, at the Turin group's annual meeting, are at an advanced stage.

Exactly what form the co-operation might take is not clear. However, the two most widely canvassed possibilities are for a link in the components sector and for collaboration on the production of a new high-powered engine.

Hitherto, Fiat and Alfa have not enjoyed the easiest of relationships. Sporadic feuding came to a head last summer with Fiat's bitter, yet unavailing, opposition to the decision of the state-owned Alfa-Romeo to go ahead with a joint venture in southern Italy with Nissan of Japan.

An agreement between the two would mark another stage in the reconciliation of public and private sectors in Italy.

Sig Agnelli has reiterated that the co-operation would merely be a logical response to the common problems shared by the two groups, both of whose car operations are losing money. It would not lead to any financial links, he said.

Belgian deal by Electrolux

By Our Financial Staff

ELECTROLUX-MARTIN, the Belgian subsidiary of Electrolux, the Swedish domestic appliance group, has acquired the household appliances division of Acec-Group of Belgium, which has annual sales of about SKr 100m ($19m).

Terry Dodsworth looks at the latest French inroad into the U.S.

Elf explores new territory

ELF AQUITAINE'S takeover of Texasgulf in the U.S. is the logical outcome of a decade of rapid international development. It is aimed at laying the foundations for a major transatlantic energy business, an essential element of the company's strategy for the past three or four years.

The deal underlines the group's growth from a small French state agency, dedicated to limited national objectives, into a genuine multinational company. Elf's aim is twofold. It wants to develop its energy interests in the U.S., where it believes that there are plenty of deposits still waiting to be discovered; and it feels that a substantial U.S. activity will give it greater operating freedom—more liberty to make profits, and more opportunities to move its money around and react to market needs.

Today's group, still 67 per cent state-owned, has come a long way from its origins. It started as a small, state-controlled energy concern set up in the post-war era to try to ensure France's oil supplies. At that time, one of the strongly-held views in the French administration was that France had been weakened in the inter-war period because of its energy deficiency.

Heavy coal imports, it was argued, meant a permanent payments imbalance and physical reliance on overseas suppliers. The idea was to develop both the nuclear and oil industries, ideally based on energy deposits in France or in its colonial territories.

The first big breakthrough for the independence policy was the discovery of the large natural gas field at Lacq in the French pyrenees. The Lacq field, developed by the formerly independent Aquitaine company, is still producing gas, and has provided a lot of the cash for further exploration. But at the same time, another part of Elf went on to become the first company to find oil in the Sahara, in Algeria.

The colonial strategy, however, broke down with Algerian independence. The oil fields were nationalised in 1971 with little compensation, and Elf, though still a leading Algerian client, was left with a big gap in its supplies. In order to survive, the company was forced to develop on a wider international front, steadily developing both its trading and its exploration interests.

Within three years, Elf had made up for its Algerian losses, while oil from its other big African discovery, in Gabon, was coming on stream. It then moved into North Sea exploration in a big way, discovering the giant fields of Frigg and Ekofisk (the latter alongside Total, the other big French group). Today its sales are split roughly four ways, between the products of Lacq, Gabon, the North Sea and its other activities in chemicals, pharmaceuticals and so on.

The board of Texasgulf came out in favour of the bid from Elf Aquitaine late on Monday evening after revised terms from the French oil group which is headed by M Albin Chalandon (left). Texasgulf directors said they saw no reason, to oppose the takeover, which values Texasgulf shares at $56 apiece compared with $50 under the original offer.

In the past 10 years, Elf has also become a very big company by French standards, growing far beyond the carefully nurtured state-funded organisation originally set up by the reformist Gaullist post-war administration.

It received its last injection of capital from the state in the early 1970s, and its turnover has risen from about FFr 7bn ($1.3bn) in 1970 to FFr 77bn last year. Elf is the largest taxpayer in France (the tax off-take will grow even more because the new Socialist Government is loading charges on the Lacq production), and it is one of the three or four largest French companies in terms of turnover. Its cash flow, at FFr 14bn last year, is unparalleled in French industry.

Elf argues that this increased stature means that it has to have a similar international base to the other big oil groups. In the list of the world's oil companies, it lies somewhere around tenth. To maintain that position, or to improve it, the company believes strongly that it should be in the U.S.

This philosophy brought the group into outright opposition with the last Government, when Elf tried to mount a bid for Kerr-McGee, a large energy concern. At the last minute, the deal was sabotaged by M Andre Giraud, the Industry Minister, and the ensuing row was settled only by a judgment of Solomon which brought the company under closer state surveillance but left its chairman, M Albin Chalandon, very much in control.

Ironically, the new, supposedly more dirigiste Socialist administration, has proved more liberal in its attitude to Elf's expansion than the previous Government. The plan for the Texasgulf acquisition went very quickly through the ministerial machinery.

This attitude may, or may not, be a significant pointer to the way the Socialists intend to manage the nationalised sector, which they are pledged to expand. But, so far, Elf undoubtedly provides a good example of a state company which has worked, developing from very active government support to self-sufficiency and now to a large degree of independence.

Milan bourse closed amid rules panic

By James Buxton in Rome

TRADING on the Milan bourse was suspended yesterday as the market showed signs of reacting to its new trading rules with further sharp falls.

The bourse was experiencing the second day of rules imposed by the Consob, the regulatory organisation, to regularise trading and curb speculation. These followed the Consob's precipitate suspension in mid-June of the system of monthly accounts in favour of three-day cash settlements which brought trading on the market to a halt.

To revive the market while imposing a greater degree of order, the Consob announced on Friday that trading on monthly accounts would be revived, but that buyers would have to deposit 30 per cent and sellers 70 per cent of the value of the transactions with their broker at the time of the deal.

The new rules were said to have been laid down after consultations between the Consob, brokers and the banks, which as investment advisers have a role partially akin to that of the institutions in the British market.

However on Monday, the first day of the new rules, the market went down 6.5 per cent in thin trading, with only L16.5bn ($13.6m) worth of shares exchanged. Then followed yesterday's debacle, in which such blue chips as Fiat and Pirelli were among shares that could not be quoted because they had fallen more than 20 per cent.

There are immediate reasons for the way the market is behaving. First, the big banks have not stepped in to support the market, as at one point had been expected. They appear to have been put off by the need to advance 30 per cent deposits, which in the face of present selling pressures would be very costly.

Second, there is a big overhang of selling positions which date from the temporary ending of the monthly account system last month. These positions need to be liquidated and are not subject to the new deposit rules. Thus everyone wants to sell.

Third, there is still insufficient certainty as to how the new rules should work, and the Consob has yet to complete its detailed instructions on the subject.

Underlying it all is that only recently has there been any substantial profit-taking after nearly a year of consistent share price rises. Last year the market doubled and by May this year it was up 68 per cent on the January 1 level. So far it has fallen only 28 per cent from its May level.

Sappi plans R800m expansion

BY JIM JONES IN JOHANNESBURG

SAPPI, South Africa's largest pulp and paper manufacturer which supplies about half the country's paper requirements, is to expand its plant at Ngodwana, in the Eastern Transvaal, over the next five years at an estimated cost of R800m ($920m).

The additional output in the new integrated pulp and paper mill will increase the company's overall capacity from 600,000 tonnes to 860,000 tonnes of pulp, paper and tissue a year. In addition a newsprint machine will be installed with an annual capacity of 140,000 tonnes of offset-quality newsprint.

The project is one of the largest undertaken by private enterprise in South Africa and is the largest single paper industry project currently under way in the world.

Financing will be drawn from a variety of sources. The company expects to utilise up to R100m of export finance; Euro-currency loans are not likely to exceed R30m; R400m is to be provided by South African banks; and the remainder is expected to be met from internally generated cash-flow and additional equity funding.

At this stage the company expects to make rights issues between 1982 and 1984, offering shareholders a mix of ordinary and convertible preference shares.

In 1980 Sappi earned 158.5 cents a share and paid a total dividend of 57 cents a share.

Phase One of the project is the installation of the newsprint machine, which is expected to come on stream in mid-1983. Phase Two, which will centre on the construction of the 250,000 tonnes pulp plant, will start at the same time as the newsprint plant and is scheduled for completion by mid-1984.

Of the pulp plant's total production, 200,000 tonnes will be converted to bleached pulp. It will replace pulp imports at present needed to maintain South Africa's paper production and at the same time leave substantial amounts available for export to Europe and the Far East.

Phase Three of the project, which is due to be completed in 1985, will add 150,000 tonnes a year capacity of kraft liner and fluting papers.

Agache offshoot to delay debt repayment

BY OUR FINANCIAL STAFF

THE BELGIAN department store chain, Galeries Anspach, which is owned by the troubled French group, Agache-Willot, has asked the Belgian Commercial Court to approve a plan to delay repayment of BFr 850m ($21.7m) in debt.

The company blamed its financial difficulties largely on the French Government's refusal to allow Agache-Willot to reimburse money owed to its Belgian affiliate.

Galeries Anspach, with seven shopping centres and two smaller outlets in Belgium employing 1,300, filed a request on Monday with the court for a special arrangement with creditors. The court will now initiate a prolonged, four-stage investigation into the financial affairs of the company, and eventually report back to creditors.

These must then decide whether to accept Anspach's proposal that it be allowed to continue trading and repay debts totalling BFr 850m out of total liabilities of BFr 2.2bn over a five-year period beginning in January, 1983.

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INTERNATIONAL COMPANIES and FINANCE

Higher half-year sales and profits for Sanyo Electric

BY YOKO SHIBATA IN TOKYO

SANYO ELECTRIC, one of Japan's major integrated manufacturers of electrical appliances, reported higher earnings boosted by increased exports for the half-year ended May 31.

Sanyo's operating profits rose by 6.7 per cent to reach Y20.09bn ($87.33m). Net profits advanced by 15.4 per cent to Y11.77bn on sales of Y345.90bn, an increase of 5.1 per cent over the previous year. Per share earnings totalled Y12.85 against Y12.82 in the previous year.

Sales in the electronics division rose by 13.5 per cent and accounted for 54.7 per cent of total turnover. Semi-conductor sales, which forged ahead by 28.8 per cent, showed particularly strong export gains. Sales of domestic electrical appliances declined by 5.6 per cent due to the unseasonable weather and accounted for 30.6 per cent of total sales.

Commercial electrical equipment sales slipped by 20.6 per cent and totalled 8.6 per cent of sales. Large air conditioners proved a sluggish selling sector.

The 11.2 per cent fall in domestic sales overall was offset by the 23.8 per cent rise in exports which accounted for 55 per cent of total turnover. Sales of video tape recorders (VTRs) and radio cassette recorders were particularly strong overseas.

A production cut of seasonal electrical appliances lifted the cost ratio to total turnover by 1.3 percentage points to 83.6.

Sanyo expects earnings to continue strongly in the current half year on the strength of volume production of VTRs. Full year operating profits are expected to rise 15 per cent to Y49bn and by 13 per cent to Y24bn for net profits on sales projected to reach Y770bn, a rise of 13 per cent on returns for the year just ended.

Sharp rise for Hsin Chong at halftime

By Adrian Boven in Hong Kong

HSIN CHONG HOLDINGS, one of Hong Kong's largest construction companies, has reported after tax profits for the six months to March 31, of HK$41.5m (US$7.5m), up 164 per cent from profits the previous year. It also turned in extraordinary gains of HK$73.3m from the issue of new shares in a subsidiary, Hsin Chong Properties, which went public late last year.

The final dividend was set at 15 cents a share, making a total of 20 cents a share, up an adjusted 122 per cent from the previous year, and shareholders will also get a one-for-one bonus issue of shares.

Voluntary resignations sought by Maruzen Oil

BY OUR FINANCIAL STAFF

MARUZEN OIL, the second largest domestically-owned oil group in Japan, is facing heavy losses as its business slump continues, and is calling again for voluntary resignations by its employees.

The company said that it began urging employees to resign voluntarily from June 1 and will continue the campaign until March of next year. The oil company said that a target number had not been fixed.

Because many Japanese companies offer lifetime employment to their domestic workers, they often call on their employees to retire voluntarily—rather than just laying off excess workers—when they encounter financially troubled times.

The move emphasises the seriousness of the financial problems facing Maruzen, which called for early retirement by its workers three years ago and tried to second some of its older staff to affiliates earlier this year.

Maruzen posted a consolidated earnings deficit of Y25.99bn ($113m) for the fiscal year ended March 31, widening from a loss of Y227m a year earlier, despite a rise in sales to Y1,720bn ($7.47bn) from Y1,440bn due to a series of price increases.

Unlike a number of other Japanese oil companies, Maruzen lacks access to low-priced Saudi Arabian crude.

Haw Par Brothers rejects UOB bid

By Our Financial Staff

HAW PAR BROTHERS International, the Singapore-based investment group, has recommended its shareholders to reject the S$4 a share takeover offer by United Overseas Bank (UOB). Haw Par said that the going market quotation of the shares, about S$4.90, was well above the offer price.

The bid, which values Haw Par at S$497m (US$230m), is being made through United Overseas Securities (UOS), a wholly-owned subsidiary of UOB. The family investment company of Mr Wee Cho Yaw, the chairman of Haw Par and of United Overseas Securities, has said that it does not intend to accept the offer for the 500,000 shares it owns.

UOB's agreement to purchase the 11.37 per cent stake in Haw Par held by Charter Consolidated, the UK mining and industrial group, for S$56.5m triggered the bid last month under Singapore regulations.

Singapore steel group expands

SINGAPORE—National Iron and Steel Mills is to invest S$49m (U.S.$23m) to expand its steelmaking facilities, and to undertake related projects through its subsidiaries. A review of rolling mill facilities is also being undertaken.

The expansion will increase the operating capacity of the meltshop to 500,000 tonnes a year from 350,000 tonnes. Reuter

Malaysian ban on financing property deals overseas

BY WONG SULONG IN KUALA LUMPUR

BANK NEGARA, the Malaysian central bank, has issued a directive to banks in the country not to finance purchases of assets overseas. This follows recent announcements by several Malaysia companies that they have made property deals in Hong Kong, Singapore and Australia worth hundreds of millions of dollars.

The bank's directive does not prohibit private groups from buying overseas properties with their own funds, but such groups can no longer resort to Malaysian banks and use the country's low interest rates to finance their purchases.

The directive, issued on June 27, said that this was aimed at preventing the outflow of funds from Malaysia at a time when bank liquidity was already tight.

The central bank said that Malaysian funds should be used for productive purposes within the country to help economic growth, and for this purpose, Malaysian finance companies have also been told to re-examine their loans to reduce borrowings by individuals for speculative and non-productive purposes.

During the past three months, Malaysian companies have announced the purchase of office buildings in Hong Kong worth close to U.S.$ 400m and two hotels in Singapore worth almost U.S.$ 200m.

Malaysian companies and family groups are also reported to have engaged in several large property deals in Australia.

Most of the Australian deals are paid in cash, while the deals with Hong Kong and Singapore companies are largely through the issue of shares by Malaysian companies, but such shares are underwritten, which means the vendors can, and often, choose the cash option.

Drawing attention to such deals, the central bank told bankers that "you will also appreciate that such outflow of funds abroad reduced the liquidity of the domestic banking system and thus hampers your own ability to extend credit to your customers in Malaysia and jeopardises the effective functioning of the entire banking system in promoting growth."

The latest directive follows the central bank's annual report last March when it warned banks not to siphon funds from Malaysia to other overseas financial centres to earn higher interest rates. At the moment central bank approval is required for all foreign exchange transactions above 2m ringgit (S$51,000).

The prime rate in Malaysia is 8.5 per cent per annum, one of the lowest in the world, and this has led to sizeable outflow of funds to centres like Singapore and Hong Kong where interest rates are far higher.

Eternit in talks to sell its crocidilite mining business

BY JIM JONES IN JOHANNESBURG

THE SWISS-BASED Eternit group and its 41 per cent-owned South African subsidiary, Everite, are negotiating the sale of their Cape Blue Asbestos (crocidilite) mining operations to Barlow Rand's mining arm, Transvaal Consolidated Land.

Asbesco, the company which manages the Eternit group's crocidilite mining, is 46.3 per cent-owned by Everite and 53.7 per cent by other, non-South African companies in the Eternit group. Its sales are largely to Eternit's asbestos cement manufacturing operations worldwide.

In the year to June 30 1980 Asbesco earned an after-tax profit of R2.62m ($3m) against R3m in the preceding year. It cut its total dividend to R825,000 from R1.65m in 1979.

Transvaal Consolidated Land's asbestos mining operations, which were acquired from Cape Industries for R28.6m in June 1979, contributed an attributable taxed profit of R2.84m in the year to September 30 1980 against R3.03m in the preceding nine months. Transvaal Consolidated believes that the acquisition will permit rationalisation as a means of overcoming some of the difficulties of a depressed crocidilite market. At present, Transvaal Consolidated and Asbesco each have about one-third of the market, while the remainder is held by General Mining Union Corporation's offshoot, Griqualand Exploration.

Managements of the companies concerned have said that the change of ownership is expected to have no effect on near-term earnings per share. The sale has yet to be finalised, but negotiations are believed to be in the R15m region.

WORLD STOCK MARKETS

Early rally on Wall Street

STOCKS RALLIED and maintained their firm tone in active trading at mid-session.

The Dow Jones Industrial Average was 5.42 higher at 954.72 at 1.00 pm, with declines leading advances eight-to-five as volume rose to 36.35m (31.97m) shares. The NYSE All Common Index added 0.58 to $74.57.

The market's gain was mainly a technical reaction to recent declines. The rally was fuelled by Monday's report that money supply was unchanged in the week to June 24, continuing its moderate growth pattern.

As a result, analysts said, the Federal Reserve may decide to ease monetary policy slightly at the Federal Open Market Committee meeting.

News that wholesale prices rose 0.6 per cent last month after a 0.4 per cent rise in May had little impact on the market.

Active Texasgulf was ahead 7¼ to $54¼. Elf Aquitaine raised its bid for the company to $56 a share from $50, and Texasgulf said it would not oppose the offer.

Volume leader Conoco lost ¾ to $75¼, while Du Pont, which agreed to buy Conoco, was unchanged at $46⅞.

Cities Service, the subject of takeover speculation, gained 3⅞ to $58⅞ in active trading.

Active Mobil was up ⅛ to $30¼. A block of 500,000 shares traded at $30.

THE AMERICAN SE Market Value Index was up 1.14 to 361.34 in light trading.

Among the actives, Washington Post Company lost 1⅜ to $25, International Banknote gained ¼ to $6 and Wang Laboratories rose ⅝ to $33⅞. Houston Oil Trust fell ⅝ to $23¼ and Bow Valley Industries added ⅛ to $19⅞.

Canada

Prices were mixed with the Toronto Composite Index posting an 18.1 rise to 2,319.7 on volume of 2.93m (2.48m) shares. Declines led advances by 200 to 177 at noon.

Metals showed the strongest increase with the index up 87.1 at 2,377.7 while Real Estate and Construction gained 86.5 to 9,139.4. The Transportation Index recorded the biggest decline, falling 29.0 to 2,929.8.

Among actives, Consumers Distributing fell ¼ to C$9.0, Bow Valley Industries added ¾ to C$23¼, and CAE Industries rose ¼ to C$10⅝. Texasgulf climbed 9.0 to C$65¼.

Milan

Stockbrokers agreed to suspend trading for the whole of yesterday's session following a slump in share prices.

Prices were fixed nominally at Monday's levels.

Reuter

The decision to suspend trading was taken after falls of 16 shares exceeded the 20 per cent limit decline.

The fall followed a sharp decline in prices on Monday after the National Bourse Commission lifted its three-week ban on end-account settlement trading.

Milan Stock Exchange indices have fallen 30 per cent since early June.

Dealers said the Commission's June measures blocked sales of shares held under carry-over contracts, creating a large backlog of potential sellers.

Germany

Leading shares closed lower across the board on profit-taking and fewer foreign orders after an 8 per cent drop in new orders in the manufacturing industry in May.

The Commerzbank Index dropped 10.1 to 736.3, with turnover lower than recently. Daimler fell DM 5.80 to DM 353.50, BMW DM 5.50 to DM 195.50 and VW DM 1.50 to DM 165.

In Electricals AEG was DM 1.40 down at DM 42.60, Siemens shed DM 2.60, and BBC fell DM 5.50 to DM 276.50, while in Industrials KHD lost DM 5 and GHH DM 4 as Linde rose DM 1 against the trend to DM 354.

In lower Banks, Commerzbank fell DM 2.90 to DM 141.50, Deutsche DM 2.50 to DM 280 and Dresdner DM 3 to DM 153.50. Stores were also losers, with Karstadt down DM 5 at DM 234, Kaufhof DM 3.50 at DM 172 and Horten DM 3 at DM 136.

The Bundesbank bought DM 2.1m of public paper on the domestic bond market, compared with DM 13.2m on Monday.

Paris

Prices firmed in quiet trading in a technical reaction as operators awaited Prime Minister M Pierre Mauroy's statement to Parliament today.

In mixed Stores, La Redoute rose FFr 10 to FFr 640 after announcing higher full-year consolidated net profits.

Firm sectors included Foods, Cars, Constructions and Rubbers.

Oils were firm, after Monday's falls in response to CFP's oil supply contract with Mexico being cancelled, and CFP rose FFr 5.5 to FFr 96, more than offsetting the previous day's fall of FFr 4.1.

Tokyo

Prices fell sharply over a wide front with many investors discouraged by the yen's further fall against the dollar, the continued fall on Wall Street and uncertainty over U.S. interest rates.

The Nikkei Dow Market Average lost 100.89 to 7,826.47 in thin trading on volume 260m shares. The Tokyo Stock Exchange index shed 5.60 to 581.85. The sharp setback was led by Autos as Toyota Motor lost Y50 to Y1,390 on news that it is cutting vehicle production this month because of sluggish sales at home and abroad.

High-priced Electricals, Oils, Drugs, big Capitals and other Blue Chips were under pressure from light profit-taking.

The market is in a period of adjustment after the Market Average reached consecutive record highs last week.

Many dealers are worried that the recent yen fall against the U.S. dollar might inhibit foreign investors from returning to Japanese stocks.

Honda Motor lost Y60 to Y1,080, Nissan Y28 to Y992, Nippon Oil Y24 to Y893, Tokyo Marine Insurance Y15 to Y726, Fuji Photo Y10 to Y1,910, Takeda Pharmaceutical Y9 to Y911.

Hong Kong

Markets were closed because of a tropical storm.

Australia

Nervous sellers wiped more than A$1bn off the market capitalisation as prices fell under the weight of rising interest rates and a flagging gold price.

The All-Ordinaries Index shed 15.2 to 681.1. Industrials fell 8.6 to 742.5, Oils and Gas retreated 29.8 to 887 and Minerals and Metals weakened 22.1 to 552.8.

Northern Mining Corporation proved one of the few stocks to beat the downturn with a 40 cent gain to A$3.45 after Bond Corporation subsidiary Endeavour Resources announced a takeover bid at A$3.64 a share.

NMC, which has a 5 per cent stake in the Ashton Joint Diamond Venture, issued a report on Monday which said the Argyle Pipe could contain up to 800m carats worth an estimated A$1.5bn.

The market was less impressed with the Ashton project's 56.8 per cent shareholder, CRA, which dropped 30 cents to A$4 while Ashton, with a 38.2 per cent interest, was steady at A$1.90.

Singapore

Prices closed sharply lower on profit-taking in heavy trading. The Straits Times Index fell 15.94 to 925.01.

Johannesburg

Golds firmed as London buying entered the local market following the higher bullion price, but a lack of sellers inhibited trading.

Closing prices for North America were not available for this edition.

NEW YORK

CANADA

Stock	July 6	July 3
AMCA Intl.	24⅝	24⅝
Abitibi	26¼	26¼
Agnico Eagle	9	9½
Alcan Alumin	33	33⅛
Algoma Steel	42¾	43

BELGIUM (continued)

July 7	Price Frs.	+ or —
Petrofina	3,875	—135
Royale Belge	4,040	+20
Soc Gen Banq.	1,790	—10
Soc Gen Belge	920	
Sofina	2,485	

HOLLAND

July 7	Price Fls.	+ or —
ACF Holding	83.5	—1
Ahold	70.1	—1.4
AKZO	26	—0.1
ABN	303	—1
AMEV	88.9	+0.4

AUSTRALIA

July 7	Price Aust. $	+ or —
ANZ Group	5.30	+0.04
Acrow Aust	1.35	
Alliance Expl	0.75	+0.05
Ampol Pet	1.55	—0.05
Assoc. Pulp Pap.	2.35	
Audimco	0.22	
Aust. Cons. Ind.	1.90	—0.05

JAPAN (continued)

July 7	Price Yen	+ or —
Kubota	350	
Kumgaai	352	+1
Kyoto Ceramic	4,050	—100
Lion	420	—6
Maeda Cons.	540	—9
Makita	950	
Marubeni	365	—5

DENMARK

FRANCE

GERMANY

AUSTRIA

BELGIUM/LUXEMBOURG

ITALY

NORWAY

SWEDEN

SWITZERLAND

HONG KONG

SINGAPORE

SOUTH AFRICA

BRAZIL

NEW YORK Indices

—DOW JONES

NEW YORK ACTIVE STOCKS

COMMODITIES AND AGRICULTURE

Brazil rumours unsettle coffee

BY RICHARD MOONEY

PRICES FELL back on the London coffee futures market yesterday as traders anticipated a bearish announcement from the Brazilian Coffee Institute, meeting in Rio de Janeiro, on the country's new export sales policy.

Rumours circulating in the market suggested the minimum export price might be cut from $2 to around $1.07 a pound and the contribution quota (export tax) to $50 from $177 per 60-kilo bag.

They pointed out that such cuts would not actually alter the net price paid by roasters for Brazilian coffee very much as nearly all of it was sold under special deals under which rebates were paid bringing the price down to the ruling market level. But they would reduce the financing cost of buying Brazilian coffee as the roasters would not have raised such large sums for their initial purchases.

It was stressed that the prices suggested were only based on rumours and that no announcement had come from the IBC.

The market opened a little lower in line with the overnight tone in New York. But prices rose strongly around lunchtime with the September position reaching a peak of £800 a tonne. In the afternoon, however, the Brazilian rumours trimmed this back sharply and September coffee ended the day £25.50 down at £768.50 a tonne.

One announcement did come from the IBC meeting before the close of business on the London market but this concerned internal guarantee prices and did not affect futures market. Domestic growers' price in Brazil is bound to rise to 9,550 cruzeiros per bag from October 1 from the current 7,300 cruzeiros.

Meanwhile cocoa prices made further gains as hopes grew that the Ivory Coast might yet be persuaded to join the International Cocoa Agreement.

MARKET PROFILE: IRON ORE

Price rise battle looms

BY ROY HODSON

AN IMPORTANT price rise which will affect consumers and the public at large is expected to take place later this year or early in 1982 without any announcement or examination outside the trade. The price of iron ore is expected to increase by a substantial amount after declining in real terms for several years.

Iron ore costs currently represent up to 10 per cent of the cost of steel. When iron ore prices rise, steelmakers will have no option but to pass on the increase to their customers. Most steel plants are already losing money on every tonne they produce.

Yet the price of iron ore is not quoted on any commodity exchange. Indeed, the material is not traded as a commodity. The first that anyone is likely to hear about the new, higher prices is likely to be when they are put forward by the steelmakers to their customers as reason for raising the prices of steel products.

The iron ore business is a small and secretive world in which people in the business claim to know everyone else by first names; a world in which it has until now been considered unnecessary (perhaps ungentlemanly would be a better word) to publish prices. Nearly 300m tonnes of iron ore were traded last year by fewer than 25 mining companies. Those businesses range in size from quite modest concerns working old deposits to the colossal modern operations in Brazil, Australia, and Canada.

Trading behind closed doors has not been of much help to the iron ore producers during the last few years. As the world steel industry slipped into a period of slow growth (and this year probably no growth) the new business from developing world steel industries for iron ore hardly compensated for the severe decline in demand in Japan and Europe where steelmaking was cut back. Iron ore prices have been eroded against the cost of mining the material to the point, now reached, where most of the world's producers are losing money.

But the iron ore companies see the expected revival in demand for steel during the next 12 months as the opportunity they have been waiting for to regain a scale of profitable prices.

Agreed prices between the producers and consumers are linked to a marker price which at present is 28.1 U.S. cents for an iron (fe) unit fob (free on board) Brazil. The equivalent price delivered to Rotterdam, but not unloaded, is 38.6 cents.

Why Brazil? The answer is that CVRD of Brazil is the biggest single producer of iron ore in the world. And within the next five years the Brazilian influence upon the trade will be consolidated by the opening of the Carajas iron ore project which is already being backed by some of the world's biggest consumers including Italy, West Germany, and Japan.

In iron ore—like coffee—the Brazilian influence is usually the deciding factor in trading matters. For instance, the Australians, whose primary business is with the Japanese, also sell into Europe. They have aligned their prices upon the Brazilian/Rotterdam price in spite of the fact that the freight cost from Australia to Europe is higher than from Brazil to Europe.

This is the time of the year when the coterie of iron ore traders begins to think about prices for the coming year. After returning from their summer holidays they will be gravitating towards Dusseldorf where the price negotiating season will start unofficially and carry on almost until December.

West Germany has two important ore purchasing organisations working on behalf of the 40m tonnes a year West German steel industry (the biggest in Europe). They will meet and talk with the leading Brazilian suppliers. No statement will be made, but dozens of ears firmly placed to the ground will detect a new price. From the world's iron ore men judiciously placed in and around Dusseldorf the word will go out. New contracts will then be struck for more than 300m tonnes of trading during 1981 based upon the Dusseldorf price.

"Nobody really likes the system," said a big iron ore buyer in London "It has become a bit of a West German-Brazilian show." Nevertheless it is a system that is likely to persist for a while longer. The iron ore trade of the U.S. is almost wholly internal with steel companies involved in iron ore mining able to arrange prices at transfer levels suitable to their needs.

The Australians and the Japanese deal on a one-to-one basis in an uneasy arrangement linking the big Australian ore developments in the Pilbara of Western Australia to the Japanese steelmakers. This year the Japanese agreed to an 8 per cent price increase for Australian ore, but freely exercised their favoured customer role to take only as much Australian ore as they wanted irrespective of contract commitments.

The European market, therefore, stands out in the world iron ore scene as the only large free market within which a number of deals can be done. Eurofer, the "club" of the west European steelmakers, has a raw materials committee which considers the iron ore trade from time to time. So far, however, it has shown no inclination to break the West German Brazilian price leadership. That may be attributable to the powerful West German presence in Eurofer.

Mr Doug Anthony, Australian Trade and Resources Minister, has recently been in Brazil initiating discussions about how the two countries (which with their continued resources can dominate the world iron ore trade) can work together to secure higher prices.

A Brazilian - Australian pricing liaison would still further reduce the European steelmakers' room for manoeuvre. In the present depressed trading conditions it would not be very important. But it would have an influence the moment prices begin to harden and the few iron ore producers are able to exert their latent strength over their many customers for their product.

Animal feed plan for EEC wheat

BY LARRY KINGER IN BRUSSELS

THE European Commission is studying ways to boost the use of milling wheat as animal feed in an attempt to reduce the cost of disposing of EEC surpluses.

Faced with an EEC wheat harvest expected to approach last year's record 50m tonnes, Commission officials have approached grain authorities and trading organisations in the member states with a suggestion that up to 2m tonnes of milling wheat might be used as animal feed.

The object would be to avoid the cost of storing extra surpluses or paying out more on export subsidies, while at the same time reducing demand for compound-feed imports such as maize.

One scheme being studied is for a premium to be paid to producers under "special intervention measures" on some surplus milling wheat that could be sold directly as animal feed without actually being bought-in by the Community.

However, not all initial reaction has been favourable. In addition to possible administrative difficulties, fears have been raised that wheat of a lesser quality could be clandestinely introduced into the scheme to attract the higher premium.

Reuter reported from Washington that John Block, U.S. Agriculture Secretary, said the Administration still is reviewing possible retaliatory actions if the EEC changes the zero duties on imports of soyabeans, soyabean products or maize-gluten feed.

Mr Block expressed concern about the EEC's internal policies that result in higher production and increased export subsidies. But he was optimistic that the agricultural trade issues between the U.S. and the Common Market can be resolved.

At the same time, Mr Block said he hopes new grain talks will be held with the USSR by the end of July.

He said the U.S. has proposed a number of options for dates and places for a meeting, but details have yet to be firmly established. The next round of talks would be "exploratory" concerning a new long-term grain agreement between the two nations.

Other Administration officials privately said the talks most likely will be held during the last two weeks in July, probably in a neutral site in Europe, such as Geneva.

Peak levels for lead and zinc

By John Edwards, Commodities Editor

LEAD AND zinc prices moved to peak levels on the London Metal Exchange yesterday, reacting to the cutback in deliveries announced by Tara Mines of Ireland as a result of a labour dispute. Cash zinc gained £6 to £452 a tonne—its highest level since 1974. Cash lead closed £7.75 up at £386.75 a tonne—a two-year high.

In both cases there are shortages of immediately available supplies helping to push up prices, in spite of sluggish demand. Lead supplies have been cut back by a series of mine stoppages this year, aggravated by a decline in scrap recovery, while zinc is now feeling the impact of the world shortage of concentrates.

Rains promise good Indian wheat crop

BY K. K. SHARMA IN NEW DELHI

MONSOON rains, on which Indian agriculture is heavily dependent, have arrived on schedule in most parts of the country, giving rise to hopes that foodgrain production will exceed a record 136m tonnes this year.

A good summer crop is badly needed because of the depletion of grain stocks over the past couple of years following a bad monsoon year in 1979 when food production fell sharply by nearly 20 per cent.

The summer crop consists mainly of rice, and its production should be near the 80m tonne mark if the monsoon maintains its tempo. However, the main shortage at present is of wheat, stocks of which are extremely low in spite of a record crop of 35m tonnes last winter.

Procurement of wheat by the government for buffer stock purposes has fallen far short of the target of 9m tonnes in spite of the announcement of a higher purchase price by state agencies. The total wheat procured is expected to be less than 7m tonnes.

If the minimum buffer stock of 10m tonnes, which is distinct from the operational stocks needed for the public distribution system, is to be maintained, a good rice harvest is needed. Hence the anxiety of the government over the monsoon.

A good rice crop will help not only to build up stocks of foodgrains and thus obviate the need for imports but will also act as an anti-inflationary measure. It is possible that exports of coarse and fine qualities of rice will be increased from the present level of 1m tonnes a year.

Prospects for Australia's 1981 wheat crop are excellent, and production is expected to rise almost 40 per cent from last year, according to early estimates by the bureau of agricultural economics in Canberra.

Sale of forests planned

THE GOVERNMENT plans to raise £40m over the next three years by selling off some state-owned forests.

However, sensitive areas such as the Forest of Dean, the New Forest and Cannock Chase, which have conservation or amenity value, will not be up for sale.

Speaking at the Royal Show at Stoneleigh, Warwicks, Sir David Montgomery, chairman of the Forestry Commission, said the Government planned to raise the £40m by selling about 4 per cent of the Commission's assets.

Soft futures trading slows

BY OUR COMMODITIES STAFF

TRADING TURNOVER on the London "soft" (non-metal) commodity futures markets fell last month, in spite of an encouraging performance by new markets, according to the International Commodities Clearing House.

The number of lots registered in June dropped to 376,154 compared with 424,128 in June last year. Total lots for the first half of the year were 1,918,684 against 2,252,934 in January-June last year. Mainly responsible for the overall decline has been the Robusta coffee contract, where turnover in June was 105,304 lots (133,073 in June 1980) helping to reduce the figure for January-June to 385,877 against 601,922.

Sugar futures trading also declined in June, but it still remained by far the most active market with turnover during the first six months at 1,055,025 lots against 1,212,502 a year earlier. Natural rubber turnover was well down, too, at 41,543 lots for January-June this year against 78,426 in the first half of 1980, but cocoa turnover was higher at 370,383 compared with 340,674 in the first half last year.

Of the newer markets, gas oil futures turnover was 19,084 lots in June making a total of 48,278 since trading started at the beginning of April. Potato futures trades jumped to 2,780 lots in June against 742 in June last year (when the market was launched) and turnover during January to June at 16,239 was marginally above that of soyabean meal at 15,988.

Chicago contracts boost

TRADING volume on the Chicago Board of Trade rose to 4.288m contracts last month, surpassing June 1980 volume by 37.1 per cent.

Year-to-date volume at the exchange reached 23.724m contracts. This was a 43.1 per cent increase over the 16.583m contracts traded during the first half of 1980 and equals about 50 per cent of the futures contracts traded on all U.S. exchanges.

BASE METALS

BASE-METAL PRICES were firmer on the London Metal Exchange. Copper moved ahead throughout the day and closed at a high of £895 while renewed buying following Monday's force majeure declaration by Tara Mines lifted Lead to £386.5 and Zinc to £457 prior to a close of £455.75. Tin eased on hedge selling and closed at £6,737.5. Aluminium and Nickel were finally £628.25 and £3,247.5 respectively.

[illegible]

SILVER

Silver was fixed 8.7p an ounce higher for spot delivery in the London bullion market yesterday at 442p. U.S. cent equivalents of the fixing levels were: spot 847.3c, up 27.4c; three-month 885.1c, up 30.3c; six-month 919.5c, up 30.5c; and 12-month 988.5c, up 29.3c. The metal opened at 434-438p (830-840c) and closed at 444-448p (845-855c).

[illegible]

COCOA

Futures initially eased due to profit taking before rallying sharply on fresh chartist and commission house support. Physical business was scarce while all producers remained withdrawn, reports Gill and Duffus.

[illegible]

COFFEE

In line with expectations Robustas opened lower, reports Drexel Burnham Lambert. Good trade support provided a steadier, early session until a weaker than anticipated New York market, which was neglected initially, eventually triggered a decline.

[illegible]

RUBBER

The London physical market opened easier, with little interest at the lower levels, closing quiet. Lewis and Peat reported a fob July price for No. 1 RSS in Kuala Lumpur of 249.0 (233.0) cents a kg and SMR 20 217.5 (same).

[illegible]

SOYABEAN MEAL

The market opened £4 higher on further concern over USSR grain production and Commission House buying, reports T. G. Roddick. Prices remained steady during the afternoon on weaker sterling.

[illegible]

GAS OIL FUTURES

After a steady opening, the market rallied on technical buying and stronger sterling. Later prices eased in line with the steady physical market. Volume was high, reports Premier Man.

[illegible]

GRAINS

Old crop wheat opened unchanged but eased on long liquidation. New crop wheat held steady, trade was fairly quiet except for wheat-barley [illegible]

[illegible]

SUGAR

LONDON DAILY PRICE—Raw sugar £210.00 (£207.00) a tonne cif July-Aug shipment. White sugar daily price £235.00 (£232.00).

Prices continued to move higher in dull trading conditions. Heavier offerings developed at the highs and the advance was halted. But after losses prices recovered somewhat at the close, reports C. Czarnikow.

[illegible]

COTTON

LIVERPOOL—No spot or shipment sales were recorded for the second trading day in succession. The cheaper price factor had a bearing on the situation, while spinners were inactive, few orders were under consideration, and the general demand lacked enterprise.

POTATOES

LONDON POTATO FUTURES—The market was again firm but at about £5 up profit taking caused steep reaction bringing levels down to about unchanged although close showed some recovery, reports Coley and Harper.

[illegible]

MEAT/VEGETABLES

[illegible]

WOOL FUTURES

[illegible]

PRICE CHANGES

In tonnes unless otherwise stated.

[illegible]

AMERICAN MARKETS

NEW YORK, July 7.

[illegible]

EUROPEAN MARKETS

ROTTERDAM, July 7.

[illegible]

INDICES

FINANCIAL TIMES

July 6	July 3	Month ago	Year ago
254.34	250.22	255.48	272.60

(Base: July 1, 1952=100)

MOODY'S

July 6	July 2	Month ago	Year ago
1069.2	1068.6	1086.5	1087.8

(December 31, 1931=100)

DOW JONES

Dow Jones	July 6	July 2	Month ago	Year ago
Spot	380.81	372.00	394.77	415.55
Fut's	391.08	374.31	383.81	429.37

(Average 1924-25-26=100)

REUTERS

July 7	July 6	M'nth ago	Year ago
1786.4	1777.8	1768.4	1691.3

(Base: September 18, 1931=100)

LEGAL NOTICES

THE COMPANIES ACTS 1948 TO 1980

FERGUSON GUARANTEE LIMITED

[illegible]

D. R. WILLETTS, Liquidator.

ANNOUNCEMENTS

PUBLIC NOTICES

BUCKINGHAMSHIRE COUNTY COUNCIL

[illegible]

DEVON COUNTY COUNCIL

[illegible]

GLOUCESTER CORPORATION

[illegible]

M. B. OF KNOWSLEY

[illegible]

ART GALLERIES

[illegible]

CLUBS

[illegible]

Interest rate fears upset equities and index falls sharply but Gilts steadier after Monday's collapse

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
June 29	July 9	July 10	July 20
July 13	July 23	July 24	Aug 3
July 27	Aug 6	Aug 7	Aug 17

* "New-time" dealings may take place from 9.30 am two business days earlier.

Higher short-term interest rates were still proving too much for London stock markets which went sharply lower again yesterday. The downturn reflected concern that the Bank of England's move putting upward pressure on base lending rates would further delay the long-awaited recovery in industrial output and probably place more manufacturing companies in jeopardy.

Equity dealers took immediate defensive action at the opening. In some cases, the mark-down in leading shares was severe but still not sufficient to deter selling from nervous holders. A recovery was not attempted until late in the session following the latest banking statistics, a particular influence for Government stocks, and most equity leaders edged away from the lowest. The rally failed to draw institutional interest, however, and faded after-hours with the result that the FT Industrial Ordinary share index, 12.5 lower at 1.00 pm, still closed a net 11.3 down for a two-day fall of 18.5 to a three-month low of 529.5.

CU dip and rally

After Monday's collapse to 16-month lows, Gilt-edged securities, although still extremely volatile and with specific issues sometimes fluctuating ½ either side of overnight list levels, finally staged a tentative rally. Last month's banking figures indicating an increase of only ½ per cent in money growth were a stabilising factor, few investors being encouraged by the early recovery in sterling.

Traded option deals totalled 983 with British Petroleum positions easily the most active. Of the 306 completed in the latter, 210 were puts.

A few pence easier at first along with other Composite Insurances, Commercial Union, widely tipped as a "dawn raid" candidate, picked up in late trading to close 2 dearer on balance at 175p. Among Life issues, Legal and General slipped to 230p before closing only 3 off at 232p following news that the company had shown an increase in worldwide life and pensions new business. Hambro Life, 397p, Prudential, 228p, and Pearl, 422p, all shed around 6.

Merchant Banks were dull. Comment on the results left Mercury Securities 25 down at 263p, while Arbuthnot Latham shed 12 to 328p, the latter still awaiting news of the bid approaches.

Breweries closed little altered on balance, but Distillers came on offer and lost 7 to 224p.

The upward pressures on interest rates prompted widespread losses in the Building sector. Leading issues, marked lower at the opening, encountered small scrappy selling and closed at the day's lowest, Blue Circle losing 12 to 484p and BPB 7 to 240p. Tarmac also shed 7, to 379p, while Redland gave up 5 to 167p and Ready Mixed Concrete 4 to 190p. Housebuilders Barratt Developments came under pressure and fell 8 to 224p. Nervous offerings in front of tomorrow's preliminary results clipped 4 from A. Monk, to 45p. Among Timbers, Montague L. Meyer, which also announces annual results tomorrow, shed a like amount to 66p.

The chairman's gloomy forecast on prospects for the chemical industry prompted additional pressure on ICI which touched 268p before closing a net 6 down at 270p. Other major Chemical concerns fell, in sympathy, Fisons shedding 9 to 138p, Laporte, 6 to 119p, and Coalite, 5 to 117p. Against the trend, British Benzol added 2 for a two-day gain of 4 to 23p, after 24p, on news that Brint Investments had increased its stake in the company to 29.8 per cent.

Leading Stores were little affected, Marks and Spencer easing just a penny to 124p, but secondary issues often recorded more substantial losses. Polly Peck fell 13 to 340p, while Cornell Dresses lost 7 to 163p and Lee Cooper 5 to 143p. Against the trend, small demand in a thin market lifted Northern Goldsmiths 4 to 78p, after 80p; the price in yesterday's issue was incorrect. Elsewhere, trading in Tricoville was suspended at 84½p pending the outcome of talks which may lead to an offer for the company.

Lower opening values failed to deter selling of the Electrical leaders but, in common with the general trend, most quotations finished above the worst. GEC finished 12 cheaper at 733p, after 725p, while Plessey ended 5 lower at 327p, after 325p. Thorn EMI eased afresh to 384p, down 6, awaiting Friday's preliminary statement. Elsewhere, Ferranti gave up 20 to 555p. Against the trend, Fidelity Radio firmed 2 to 46p in response to the chairman's forecast of a return to profits in the second half of the current year.

The Engineering leaders staged a modest rally and fresh offerings took Tubes down to 130p before a close of 132p for a fall of 6. GKN reacted 5 to 138p, while falls of 4 were common to John Brown, 92½p, and Hawker, 330p. Selling became more noticeable in secondary issues where Haden, a good market of late, stood out with a reaction of 11 to 180p. APV weakened 13p to 273p in a limited market. Chemring lost 5 to 248p. Among smaller-priced issues, sporadic offerings left Delta 2½ cheaper at 44½p and Renold 3 down at 39p, while Tace fell 4 to 20p and Braham Miller 1½ to 13p.

Foods contributed to the general market malaise, but support was occasionally forthcoming at the lower levels and a slightly firmer tone was apparent in late dealings. Retailers bore the brunt of the early scrappy selling and Associated Dairies, down 6 on Monday following adverse Press comment, shed another 8 to 186p. J. Sainsbury gave up 6 to 420p. R. Paterson, a volatile market of late, also shed 6, to 75p, but Clifford Dairies A, moving against the trend, added a couple of pence to 114p following favourable Press mention.

Leading Hotels and Caterers closed above the day's lowest.

Ropner feature

Most leading miscellaneous issues closed a few pence above the worst, but losses were still fairly substantial. Unilever, 573p, and Pilkington Bros., 312p, gave up 17 and 11 apiece, while falls of around 8 were recorded in Glaxo, 376p, and Bowater, 263p. Ropner issues featured brightly, the Ordinary rising 15 to 215p and the A 13 to 210p in response to the increased dividend and profits. British Aerospace were relatively lively and closed 9 cheaper at 224p, while Polymark, sustained recently by bid hopes, encountered further selling at 87p, down 8. Comment on the preliminary results left Eastern Produce 4 cheaper at 70p. Smiths Industries weakened 10 to 370p and Thomas Tilling 6 to 183p. Lonsdale Universal fell to 34p on the reduced interim profits before settling only a penny cheaper on balance at 37p. Davies and Newman, the subject of bid speculation recently, reacted 6 to 128p.

Press comment highlighting the less favourable outlook for holiday concerns following sterling's weakness prompted a fall of 10 to 252p in Horizon Travel. Intasun's preliminary profits matched market estimates, but the close was a penny cheaper at 75p, after 73p.

IC Gas good

Publishers William Collins hardened a couple of pence to 230p following the further rejection of News International's revised offer for the company. Among Newspapers, Associated, 11 down at 215p, and Daily Mail A, 8 off at 420p, both registered 1980 lows.

Leading Properties opened lower on higher short-term interest rates and encountered a certain amount of selling before rallying late to close above the worst. Land Securities finished only 3 cheaper on balance at 400p, after 396p, while MEPC ended just a penny off at 239p, after 236p. Elsewhere, Daejan relinquished 7 to 184p and Rush and Tompkins shed 4 to 220p. Acquisition news failed to sustain Espley-Tyas which lost 3 to 76p. Against the trend, Jermyn hardened 2 to 100p.

IC Gas, up 18 at 193p in response to the better-than-expected preliminary results, provided some relief from another poor performance in the Oil sector. Persistent selling took BP new nil-paid shares down afresh to 16p premium before settling at 18p premium for a fall of 7, while the HMG shares touched 3p premium and closed at 5p premium. Shell finished 6 lower at 340p, after 336p. Among the more speculative issues, Atlantic Resources fell 10 to 175p and Candecca 8 to 188p, while Aran, 53p, and Clyde, 152p, reacted 9 and 15 respectively. News of the sale of NCC's stake in Hampton Gold Mining for £8.5m failed to benefit the former, which closed 4 off at 118p.

Overseas Traders failed to escape the overall weakness and Inchcape came back 17 to 398p, while Boustead fell 7 to 160p.

Consideration of the highly pleasing results countered the effects of the proposed rights issue and Mercantile House recovered after Monday's fall of 17 to close 40 up at 878p. Other Trusts and Financials sustained double-figure falls including Aitken House, 245p, Atlantic Assets, 255p, and RIT, 360p.

Textile losses were usually modest apart from Snia Viscosa which slipped 3 to 34½p on Italian advices.

Bats were hardest hit among Tobaccos and closed 10 down at 363p.

Even the chairman's optimistic view of prospects failed to steady Barlow, the turn easier at 110p, while other Plantations such as Guthrie, 736p, and Castlefield, 450p, sustained respective falls of 14 and 10.

Late recovery in Golds

South African Golds closed showing substantial gains on balance following an increase in tension in the Middle East.

The sharemarket opened on a marginally easier note as the bullion price held just above $400 an ounce. However, rumours that Syria had shot down an Israeli aircraft over Lebanon caused a sharp recovery in share prices with strong London buying in evidence coupled with sizeable attempted American demand. In addition the market was thought to have been none too well supplied with stock.

The Gold Mines index responded with a gain of 8.5 to 298.1 while bullion was finally $3 up at $407.

South African Financials performed similarly to Golds. Anglo American Corporation closed a net 10 up at 645p, after 630p. Gencor rose 15 to 890p and GFSA ¼ to £37¾, after £37¼.

On the other hand, London-registered issues mirrored the weakness of the UK equity market. RTZ dropped 12 to 518p. Gold Fields dipped to 428p but subsequently rallied, in line with Golds, to close a net 5 up at 435p.

Golds and one or two situation stocks were the only Australians to make headway as continued unease over the prospect of increased domestic interest rates caused renewed selling in overnight down-under markets. North Kalgurli highlighted Golds and advanced 6 to 78p. Northern Mining, a strong market of late, added 6 more to a 1981 high of 196p following the takeover bid from Endeavour Resources.

FINANCIAL TIMES STOCK INDICES

	July 7	July 6	July 3	July 2	July 1	June 30	A year ago
Government Secs.	64.76	64.67	65.51	65.51	65.51	66.06	70.39
Fixed Interest	66.97	67.04	67.36	67.46	67.65	67.77	71.56
Industrial Ord.	529.5	540.8	545.9	548.7	544.8	548.7	482.7
Gold Mines	298.1	289.6	290.8	279.8	274.8	266.7	372.8
Ord. Div. Yield	6.08	5.91	5.83	5.82	5.81	5.83	7.36
Earnings, Yld. %(full)	12.11	11.87	11.71	11.61	11.59	11.67	17.91
P/E Ratio (net) (*)	10.39	10.59	10.64	10.75	10.77	10.69	6.77
Total bargains	20,338	19,521	17,776	17,668	19,546	18,338	20,857
Equity turnover £m.	—	114.33	105.87	111.14	104.49	118.49	211.34
Equity bargains	—	15,611	14,620	16,664	16,093	17,650	24,899

10 am 531.7, 11 am 529.8, Noon 528.9, 1 pm 528.1, 2 pm 528.3, 3 pm 529.3.

*Nil=9.53.

Latest Index 01-246 8026.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity 1974.

HIGHS AND LOWS

	1981 High	1981 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	70.61 (6/1)	64.67 (6/7)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	72.01 (2/2)	66.97 (7/7)	150.4 (28/11/47)	50.53 (3/1/75)
Ind.Ord.	597.3 (30/4)	446.0 (14/1)	597.3 (30/4/81)	49.4 (26/6/40)
Gold Mines	421.1 (6/1)	262.6 (2/6)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	July 6	July 3
—Daily Gilt Edged Bargains	158.1	143.3
Equities Bargains	101.1	96.0
Value	241.1	212.6
5-day Av'ge Gilt Edged Bargains	148.8	148.0
Equities Bargains	103.4	106.3
Value	222.7	223.3

ACTIVE STOCKS

Above average activity was noted in the following stocks yesterday

Stock	Closing price pence	Day's change	Stock	Closing price pence	Day's change
British Aerospace	224	−9	Land Securities	400	−3
B.P. New Nil/Paid	18pm	−7	Mercury Secs.	263	−25
Commercial Union	175	+2	Plessey	327	−5
Cons. Gold	435	+5	Polymark	87	−8
ICI	270	−6	Ropner A	210	+13
I.C. Gas	193	+18	Vaal Reefs	£30¾	+1½

MONDAY'S ACTIVE STOCKS

Based on bargains recorded in the SE Official List

Stock	No. of price changes	Monday's closing price pence	Day's change	Stock	No. of price changes	Monday's closing price pence	Day's change
BP New (HMG)	23	18pm	+4	ICI	10	276	−4
GEC	13	745	−16	Merc. Hse.	10	538	−17
Comm. Union	11	173	−4	Town & City	10	28½	−1½
Shell	11	346	−14	BOC	9	187	−7
Bowater	10	270	−3	Burmah	9	138	−7
Chloride	10	30	+3	Finlay (J.)	9	140	+6
FNFC	10	36¾	+¼	Lloyds Bank	9	395	−5

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
July 6	July 17	Oct. 8	Oct. 19
July 20	July 31	Oct. 22	Nov. 2
Aug. 3	Aug. 14	Nov. 5	Nov. 16

For rate indications see end of Share Information Service

Stocks to attract money for the call included ICI, Boots, First National Finance, Brent Walker, Tomatin Distillers, Tubes, Premier Consolidated, Howard Machinery, Turner and Newall, Grindleys, Amalgamated Estates, Guardian Royal Exchange, Hawker Siddeley, Pan Pacific Petroleum and Lonrho. Puts were arranged in Sumrie, Britannic Assurance and Trafalgar House, while double options were transacted in Hawley Leisure, Sterling Credit, Henry Ansbacher and Woodside.

NEW HIGHS AND LOWS FOR 1981

The following quotations in the Share Information Service yesterday attained new Highs and Lows for 1981.

NEW HIGHS (19)

BRITISH FUNDS (1) Treas. Variable 1981
AMERICANS (1) Conoco
BANKS (2) Schroders, Wintrust
STORES (1) Northern Goldsmiths
ELECTRICALS (3) A. B. Electronic, Whitworth Elec., Fidelity Radio
ENGINEERING (1) Brown and Tawse
FOODS (1) Clifford Dairies A
INDUSTRIALS (2) Bestobell, New Equipment
MOTORS (1) Volvo
NEWSPAPERS (1) Assoc. Book Publishers
PROPERTY (1) Jermyn Inv.
TRUSTS (3) Argo Inv., Mercantile House, Selected Mkt.
MINES (1) Nth. Mining Corp.

NEW LOWS (59)

CORPORATION LOANS (3) COMMONWEALTH AND AFRICAN LOANS (1) LOANS (3) FOREIGN BONDS (2) AMERICANS (2) BEERS (2) BUILDINGS (3) DRAPERY AND STORES (3) ELECTRICALS (4) ENGINEERING (4) FOODS (1) HOTELS (1) INDUSTRIALS (6) INSURANCE (1) NEWSPAPERS (2) PROPERTY (2) TEXTILES (1) TRUSTS (6) OIL AND GAS (7) MINES (8)

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	66	3	21
Corpns. Dom. and Foreign Bonds	4	34	29
Industrials	41	673	654
Financial and Props.	14	328	155
Oils	4	58	29
Plantations	—	12	11
Mines	53	51	63
Others	9	131	49
Totals	191	1,297	1,011

FT-ACTUARIES SHARE INDICES

These indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Tues., July 7, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Mon. July 6 Index No.	Fri. July 3 Index No.	Thurs. July 2 Index No.	Wed. July 1 Index No.	Year ago (approx.) Index No.
1 CAPITAL GOODS (214)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
2 Building Materials (25)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
3 Contracting, Construction (28)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
4 Electricals (29)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
5 Engineering Contractors (11)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
6 Mechanical Engineering (69)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
8 Metals and Metal Forming (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
9 Motors (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
10 Other Industrial Materials (18)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
21 CONSUMER GROUP (195)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
22 Brewers and Distillers (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
25 Food Manufacturing (21)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
26 Food Retailing (14)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
27 Health and Household Products (7)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
29 Leisure (22)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
32 Newspapers, Publishing (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
33 Packaging and Paper (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
34 Stores (44)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
35 Textiles (23)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
36 Tobaccos (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
39 Other Consumer (16)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
41 OTHER GROUPS (79)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
42 Chemicals (15)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
44 Office Equipment (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
45 Shipping and Transport (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
46 Miscellaneous (45)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
49 INDUSTRIAL GROUP (488)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
51 Oils (12)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
59 500 SHARE INDEX	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
61 FINANCIAL GROUP (118)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
62 Banks (6)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
63 Discount Houses (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
64 Hire Purchase (5)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
65 Insurance (Life) (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
66 Insurance (Composite) (9)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
67 Insurance Brokers (8)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
68 Merchant Banks (13)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
69 Property (49)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
70 Miscellaneous (10)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
71 Investment Trusts (109)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
81 Mining Finance (3)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
91 Overseas Traders (20)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
99 ALL-SHARE INDEX (750)	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST

PRICE INDICES	Tues. July 7	Day's change %	Mon. July 6	xd adj. today	xd adj. 1981 to date
British Government					
1 5 years	[illegible]	[illegible]	[illegible]	—	[illegible]
2 5-15 years	[illegible]	[illegible]	[illegible]	—	[illegible]
3 Over 25 years	[illegible]	[illegible]	[illegible]	—	[illegible]
4 Irredeemables	[illegible]	[illegible]	[illegible]	—	[illegible]
5 All stocks	[illegible]	[illegible]	[illegible]	—	[illegible]
6 Debentures & Loans	[illegible]	[illegible]	[illegible]	—	[illegible]
7 Preference	[illegible]	[illegible]	[illegible]	—	[illegible]

AVERAGE GROSS REDEMPTION YIELDS	Tues. July 7	Mon. July 6	Year ago (approx.)
1 British Government Low Coupons 5 years	[illegible]	[illegible]	[illegible]
2 15 years	[illegible]	[illegible]	[illegible]
3 25 years	[illegible]	[illegible]	[illegible]
4 Medium Coupons 5 years	[illegible]	[illegible]	[illegible]
5 15 years	[illegible]	[illegible]	[illegible]
6 25 years	[illegible]	[illegible]	[illegible]
7 High Coupons 5 years	[illegible]	[illegible]	[illegible]
8 15 years	[illegible]	[illegible]	[illegible]
9 25 years	[illegible]	[illegible]	[illegible]
10 Irredeemables	[illegible]	[illegible]	[illegible]
11 Debs & Loans 5 years	[illegible]	[illegible]	[illegible]
12 15 years	[illegible]	[illegible]	[illegible]
13 25 years	[illegible]	[illegible]	[illegible]
14 Preference	[illegible]	[illegible]	[illegible]

† Flat yield. Highs and lows record, base dates and values and constituent changes are published in Saturday issues. A list of the constituents is available from the Publishers, The Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 25p.

RECENT ISSUES

EQUITIES

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −	Div.	Times Covered	Gross Yield	P/E Ratio
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

FIXED INTEREST STOCKS

Issue Price £	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price £	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

"RIGHTS" OFFERS

Issue Price p	Amount Paid Up	Latest Renunc. Date	1981 High	1981 Low	Stock	Closing Price p	+ or −
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

[illegible]

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

[illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Am. Gth. Tst.	63.8	68.6	-1.9	2.11
Abbey Capital	50.0	54.0	-1.4	4.07
Abbey General	59.0	63.8	-1.6	4.81
Abbey Gilt & F.I. Tst.	99.1	104.8	-0.5	12.50
Abbey Income	37.8	40.8	-0.4	8.60
Abbey W'w. Bd. Tst.	95.2	100.7	-1.3	6.66
Abbey Inv. Ts. Fd.	54.3	58.7	-0.9	4.09
Equitas Prog. Tst.	83.8	90.6	-2.2	4.51

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	82.7	87.8	-0.1	12.90

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds

Allied 1st.	92.4	98.9	-2.7	5.66
Brit. Inds. Fund	78.4	83.9	-1.9	6.08
Growth & Income	52.8	56.5	-1.3	4.42
Elect. & Ind. Dev.	47.5	50.8	-1.1	4.92
Allied Capital	101.7	108.9	-2.7	4.06
Hambro Fund	136.1	145.6	-3.2	5.51
Hambro Acc. Fund	193.6	207.2	-4.5	3.96

Income Funds

High Yield Fd.	69.8	74.7	-0.9	8.03
High Income	83.9	89.9	-1.4	7.13
Equity Income Fd.	48.3	51.7	-0.9	7.08
Govt. Secs.	23.8	24.4	-0.1	12.70

International Funds

International	39.7	42.5	-0.8	1.95

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	35.9	39.2	-0.5	11.60
North American	70.2	75.8	-3.0	2.25
Canadian Exempt*	78.6	83.1	-1.8	2.77
Canadian Trust	71.5	77.3	-2.9	2.78
Mid Mount High Inc.*	48.8	51.6	-1.0	9.34
Recovery	59.1	64.6	-0.2	6.66
Gilt Trust	40.0	41.9	-0.2	13.89

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	47.1	50.8	-1.5	0.49
Cres. Internat'l.	94.5	102.0	-2.4	1.4
Cres. High. Dist.	44.9	48.4	-0.9	9.30
Cres. Reserves	52.7	56.9	-1.4	5.27
Cres. Tokyo	42.8	46.2	-0.4	0.27

Darlington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	23.7	25.1	—	8.31

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. June 26	256.9	274.0	—	4.84

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	19.9	22.0	—	7.48
Gt. Winchester O'seas	30.5	33.8	—	2.98

For Emson and Dudley see Robert Fraser Tst. Mgmt.

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	94.3	99.2	-2.7	4.41

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	42.5	45.7	-1.3	0.44
Ameri. Spec. Sits. (z)	31.2	33.6	-1.3	0.11

INSURANCE PROPERTY BONDS

OFFSHORE & OVERSEAS FUNDS

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

1981 High	1981 Low	Stock	Price £	+ or −	Yield Int.	Yield Red.
99 15/16	93 3/4	Exch. 3pc 1981	99 13/16	−1/32	3.05	12.68
99 3/4	99 1/4	Treas. Variable '81§§	99 3/4	.....	12.41	12.98
100	99 7/16	Exch. 12 1/4pc 1981‡‡	99 7/8	+1/8	12.76	12.76
97	95	Treas. 8 1/2pc '80-82‡‡	97 7/8xd	+1/8	8.68	12.79
95 1/4	91 3/4	Treasury 3pc '82‡‡	95 1/8	+1/8	3.15	11.47
107	100 1/2	Treasury 14pc '82‡‡	100 7/8	+1/8	13.87	12.47
99 1/2	98 7/8	Treas. Variable '82§§	99 7/16	.....	12.45	13.01
96 7/8	93 15/16	Treasury 8 1/4pc '82	95 7/8	+1/8	8.60	12.80
96 5/16	93 13/16	Exch. 9 1/4pc 1982	95 1/4	+1/8	9.71	13.53
95 1/8	92 5/8	Exch. 8 3/4pc 1983	94 5/8	+1/8	9.24	12.78
89 1/4	84 7/8	Exch. 3pc 1983	89	.....	3.37	10.52
99 1/8	96 3/8	Treasury 12pc 1983‡‡	96 7/8	+1/8	12.39	14.07
99 1/16	96 3/4	Treas. Variable '83§§	99 1/16	+1/16	12.50	12.91
94 1/8	91 1/4	Treasury 9 1/4pc '83	93 1/4xd	+1/8	9.93	13.24
101 1/2	98 1/4	Exch. 13 1/2pc '83	99 1/8	+1/8	13.61	13.87
94 1/8	91 1/4	Exch. 10pc 1983	92 1/2	+1/8	10.81	13.71
87 1/4	84 1/2	Funding 5 1/2pc '82-84‡‡	87 1/2xd	.....	6.31	11.52
96 1/4	93	Exch. 11 1/4pc 1984	93 1/2	+1/8	12.03	14.27
103 1/4	98 7/8	Exchequer 14pc. 1984	99 1/8	+1/8	14.08	14.23
81	78 1/2	Exch. 3pc 1984	81	+1/8	3.70	10.68
99 1/8	94	Treasury 12pc 1984	94 1/2	+1/8	12.70	14.12
107 1/4	101 7/8	Treasury 15pc 1985	102	+1/8	14.70	14.24
98 7/8	93 1/8	Exch. 12pc Cnv. '85	93 3/8	+1/8	12.85	14.33
75 3/4	73 1/4	Treasury 3pc 1985	75 1/8	−1/8	3.99	11.07
96 1/4	91 1/2	Treasury 11 1/2pc. 1985	91 7/8	−1/8	12.51	14.21
98 3/4	93	Exch. 12 1/2pc 1985	93 3/8	+1/8	13.11	14.30
97 1/4	91	Exch. 11 3/4pc '86	91 3/4	+1/8	12.85	14.34

[illegible]

Five to Fifteen Years

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

INT. BANK AND O'SEAS GOVT. STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH AND AFRICAN LOANS

[illegible]

LOANS

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

CANADIANS

[illegible]

BANKS AND HIRE PURCHASE

[illegible]

Hire Purchase, etc.

[illegible]

BEERS, WINES AND SPIRITS

[illegible]

BUILDING INDUSTRY, TIMBER AND ROADS

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

ELECTRICALS

[illegible]

ELECTRICALS—Continued

[illegible]

ENGINEERING MACHINE TOOLS

[illegible]

FOOD, GROCERIES, ETC.

[illegible]

FOOD, GROCERIES—Cont.

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPERS, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

For Aberdeen Ins see Aitken Hume (Finance Land)

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

OIL AND GAS

[illegible]

OIL AND GAS—Continued

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

NOTES

[illegible]

†† Dealt in under Rule 163(2)(a); not listed on any Stock Exchange and not subject to any listing requirements.
‡‡ Dealt in under Rule 163(3).
♯ Price at time of suspension.
¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
♦ Merger bid or reorganisation in progress.
‡ Not comparable.
♦ Same interim: reduced final and/or reduced earnings indicated.
§ Forecast dividend; cover on earnings updated by latest interim statement.
‡ Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
★ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
** Regional price.
|| No par value.
§§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. ★★ Available only to UK pension schemes and insurance companies engaged in pension business. a Tax free. b Figures based on prospectus or other official estimate. c Cents. d Dividend rate paid or payable on part of capital; cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast dividend: cover based on previous year's earnings. v Tax free up to 30p in the £. y Dividend and yield based on merger terms. z Dividend and yield include a special payment: Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1981-82. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1982. K Figures based on prospectus or other official estimates for 1981-82. M Dividend and yield based on prospectus or other official estimates for 1980. N Dividend and yield based on prospectus or other official estimates for 1981. P Figures based on prospectus or other official estimates for 1982. Q Gross. T Figures assumed. Z Dividend total to date.
Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL MARKETS

The following is a selection of London quotations of shares previously listed only in regional markets. Prices of Irish issues, most of which are not officially listed in London, are as quoted on the Irish exchange.

			IRISH		
Albany Inv. 20p	43	......	Conv. 9% '80/82	£91⅞	......
Bertam	13	......	Nat. 9¾% 84/89	£69⅝	−⅛
Bdg'wtr. Est. 50p	480	......	Fin. 13% 97/02	£80¾	−¼
Craig & Rose £1	£12½	......	Alliance Gas	70	......
Finlay Pkg. 5p	22	......	Arnott	235	......
Graig Ship. £1	£20½	−½	Carroll (P.J.)	85xd	......
Higsons Brew	70	......	Concrete Prods.	93	......
Holt (Jos) 25p	480	......	Heiton (Hldgs.)	30	......
I.O.M. Stm. £1	157	......	Ins. Corp.	400	......
Pearce (C. H.)	860	−10	Irish Ropes	43	......
Peel Hldgs.	100	......	Jacob	59	......
Sheff. Refrshmt.	97	......	T.M.G.	16	−3
Sindall (Wm.)	195	......	Unidare	100	......

OPTIONS

3-month Call Rates

Industrials		House of Fraser	14	Utd. Drapery	6½
A. Brew	6½	I.C.I.	20	Vickers	16
BOC Intl.	11	"Imps"	7	Woolworths	6
B.S.R.	7	I.C.L.	6		
Babcock	11	Ladbroke	30	**Property**	
Barclays Bank	36	Legal & Gen.	20	Brit. Land	8
Beecham	18	Lex Service	10	Cap. Counties	11
Blue Circle	35	Lloyds Bank	28	Land Secs.	37
Boots	20	"Lots"	4½	MEPC	20
Bowaters	24	London Brick	7	Peachey	15
Brit. Aerospace	17	Lucas Inds.	18	Samuel Props.	13
B.A.T.	25	"Mams"	20	Town & City	2¼
Brown (J.)	9	Mrks. & Spncr.	11		
Burton Ord.	14	Midland Bank	26	**Oils**	
Cadburys	7½	N.E.I.	8	Brit. Petroleum	33
Courtaulds	7	Nat. West. Bank	32	Burmah Oil	16
Debenhams	10	P & O Dfd.	12	Charterhall	8
Distillers	17	Plessey	28	KCA	22
Dunlop	8½	Racal Elect.	34	Premier	7½
Eagle Star	25	R.H.M.	5	Shell	32
F.N.F.C.	3	Rank Org. Ord.	18	Tricentrol	30
Gen. Accident	30	Reed Intnl.	25	Ultramar	44
Gen. Electric	60	Sears	5		
Glaxo	28	Tesco	5½	**Mines**	
Grand Met.	18	Thorn EMI	30		
G.U.S. 'A'	44	Trust Houses	15	Charter Cons.	21
Guardian	30	Tube Invest.	18	Cons. Gold	45
G.K.N.	15	Turner & Newall	10	Lonrho	9
Hawker Sidd.	25	Unilever	50	Rio T. Zinc	45

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 32

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £600 per annum for each security

FINANCIAL TIMES
Wednesday July 8 1981

U.S. 'will resist trade protectionism'

BY DAVID BUCHAN IN WASHINGTON

THE U.S. Government will "strongly resist protectionist pressures" in world trade, according to a major policy statement to be presented to Congress today.

It will also insist that its trading partners do not engage in dumping, overuse of *subsidies or other means* to sell unfairly in the U.S. market. U.S. laws in these areas will be "strictly enforced."

This is the thrust of the "White Paper" to be presented to Congress by Mr William Brock, the White House Trade representative.

It is the Reagan administration's first definitive policy statement on trade.

The White Paper, reflects the Reagan Administration's free-market philosophy.

The U.S. "accepts the competitive challenge" from the rest of the world, but will "strongly oppose trade-distorting interventions" by foreign governments, it says.

The nine-page statement, containing more broad guidelines than fine details, sets out to accomplish two goals:

● To lay out an overall context for the immediate trade problems facing the Administration.

The authors are aware, as President Reagan prepares to face fellow Western leaders at this month's Ottawa Summit, that the U.S. record so far has been mixed.

Restrictions have been agreed on imports of Japanese cars but removed footwear from the Far East. Difficult decisions on steel and textiles remain.

● To establish an agenda of what the U.S. regards as unfinished business from the Tokyo Round of Gatt (General Agreement on Tariffs and Trade) negotiations that ended in 1979.

The U.S. wants to negotiate *freer trade* in services, curbs on investment policies which distort trade, better access for U.S. high technology, and a halt in the trend towards bilateral government-to-government trade or barter deals.

The Administration wishes to maintain the boost to U.S. exports flowing from increased domestic investment—prompted by its planned tax cuts—and from lower U.S. inflation resulting from its tight money strategy.

The January-May trade deficit this year was almost $16bn (£8.4bn).

Export promotion is nominally assigned "a high priority" in the White Paper, which also warns foreign governments that Export-Import Bank loans will be weighted against countries that tend to use subsidies.

But since the U.S. wants to keep public spending in support of trade to a minimum, it evidently places more weight on removing rules and amending laws which unduly restrain its own exports and exporters.

Mr Malcolm Baldrige, Commerce Secretary, has likened such rules and laws to "shooting yourself in the foot." The Administration plans to lighten U.S. taxation on Americans employed abroad, amend the 1977 Anti-Bribery Act, and to scrap many export controls.

Mr Brock's statement also promises U.S. business "more uniform guidance" on permissible exports to communist countries. A key signpost will be the decision, expected shortly, on Caterpillar's request to sell gas pipe-laying tractors to the Soviet Union—a deal with security implications.

U.S. industry will have to live with fair competition, the White Paper says. "Where other nations have a natural competitive advantage, U.S. industry must either find a way of upgrading its own capabilities or shift its resources to other activities," it warns.

The White Paper also sets out an agenda of what the U.S. sees as unsolved trade problems. The Reagan Administration would like to see freer trade in services, where it believes the U.S. has a strong advantage. The GATT negotiating rounds have dealt with goods but not services such as banking, data processing, engineering and consultancy.

"The preparations for any new initiatives must be thorough and in some cases could be quite lengthy," the White Paper cautions. Yet U.S. trade officials hope that next year will see a ministerial meeting of countries involved in the GATT which might provide a forum to start examining unsolved trade problems.

THE LEX COLUMN

Pricing the second indexed gilt

Today's issue by tender of the second index-linked gilt-edged stock for pension funds, 2 per cent Treasury 2006, comes after two distinctly unsettled days for the London stock market. In so far as the authorities moved on Monday to raise real interest rates in order to defend sterling, it looks as though the Bank of England will have to accept slightly lower prices than it might have obtained last week.

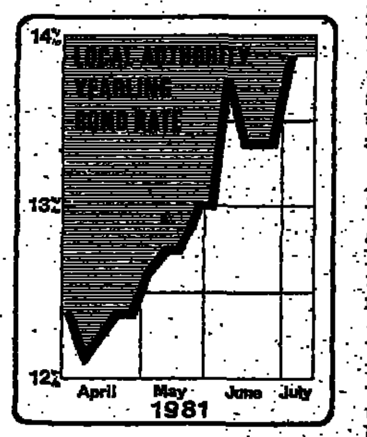
At least fears that the rise in money rates owed something to poor money supply figures were dispelled yesterday when the first monthly batch of monetary statistics for the June banking month indicated a seasonally adjusted rise of only about ½ per cent in sterling M3.

But with an increasingly impenetrable statistical fog now developing because of the cumulative effect of the civil service dispute, it is hard to assess the underlying monetary trend. The Bank guesses that sterling M3 is being held within the target range on an adjusted basis, but plainly there is some anxiety that bank lending — currently slack, especially on the industrial side — will jump when the dispute ends. Meantime, the low figure for growth of sterling M3 in June must reflect a substantial outflow across the foreign exchanges during the month.

In equities, the firming of short-term interest rates has led to price falls averaging around 3 per cent in the past two days, which again could slightly reduce the enthusiasm of pension fund managers for today's indexed gilt issue. The general expectation last night was that most tenders are likely to be pitched in the 90 to 95 range, and although the Bank will no doubt reject mischievous bids at much below 90, it is not in a position to be too fussy in setting any cut-off point.

The existing indexed issue yields around 2.5 per cent to redemption. Pension fund managers are probably willing to accept a slightly lower yield on a stock which has a more attractive maturity — of 25 rather than 15 years—but that points to a price no higher than 92 or 93. And it is by no means clear that the stock will be fully subscribed at such a level.

Index fell 11.3 to 529.5



Hamilton Oil

The U.S.-based oil group Hamilton Brothers is hiving off part of its UK interests for £14m, valuing the new company, Hamilton Oil GB, at £70m. Essentially the new company comprises the North Sea properties picked up by Hamilton in the first and third oil licensing rounds. The main producing asset is the Argyll field, which is now past its peak and has remaining attributable proven and probable reserves of 4m barrels — worth possibly £20m to £30m in terms of profits. The other hard element in the balance sheet is net cash of £12½m.

So the valuation relies heavily on prospects in the remaining unexploited blocks. And here fashion is swinging into the company's favour again, with a lot of interest — notably by Shell/Esso — in blocks of modest potential. Nevertheless, in a glum oil sector and with a profits decline of 20 per cent forecast, the promoters of the issue will be leaning hard on these prospects, especially as the prospective p/e of 9¼, taxed, does not seem overly generous.

Equity bulge

After the equity gap, what price the equity bulge? Lord Caldecote, chairman of Finance for Industry, says in his annual statement that the politically encouraged fashion of putting *money into small companies* has generated a supply of investment funds which is very large in relation to the total demand for equity finance. As a result, uneconomic terms are being offered for shares in unlisted companies.

Competition among potential investors in this area has increased enormously in the last few years, and hot propositions will often play several investment managers off against each other before settling terms. As a rough guide, FFI thinks the total market may only be worth something like £50m a year, and many groups which have been set up to supply this demand have failed to fulfil initial hopes. For its part, FFI has suffered a sharp contraction in its share of a market which it once dominated. Its subsidiary, Industrial and Commercial Finance Corporation, put £13m into equities last year.

As for relative prices, the median fully taxed p/e on the Unlisted Securities Market is about 23, according to brokers Phillips and Drew. This is roughly twice the comparable figure on the All-Share Index.

Yet a wider choice of potential equity investors is no bad thing. Lord Caldecote's warning that this trend could lead to trouble would only apply if the big funds get swept away in imprudent ventures as happened with Spey Investments a decade ago. Although fingers will undoubtedly be burnt there are no signs that this is happening on any scale.

IC Gas

IC Gas has started to dig out two of the largest underground caverns in Europe for storing liquefied petroleum gas, and 200 metres underground is presumably where it would like to consign its latest figures. The acquisition of CompAir a year ago has wrought an uncomfortable transformation in the group. Pre-tax profits in the year to March have fallen by £5.4m to £33.2m — the first decline for decades—and some two-thirds of the drop is attributable to CompAir. At the same time the £63m cost of this acquisition, along with heavy capital spending in the North Sea, has helped to push net debt towards 40 per cent of net tangible assets in what was not so long ago an ungeared balance sheet.

Profits from Belgian utilities are likely to stagnate from now on, even in local currency terms, as the company's holdings are eroded by growing state and local authority participation. But the level of debt leaves little room for further diversification. Meanwhile, Calor remains a solid business, though perhaps less exciting than in the past. The Board has been confident enough to raise the dividend, helping the share price up 18p yesterday to 193p, but it will not be before the mid-1980s that the returns will really begin to flow from the company's earlier—and more successful—diversification in the North Sea.

Rundown of naval yards 'essential'

By Richard Evans, Lobby Editor

MR JOHN NOTT, Defence Secretary, told Conservative MPs yesterday that the new procurement programme for the Royal Navy would be feasible only with substantial savings from the proposed rundown of naval dockyards.

In a strong defence of his controversial White Paper proposals Mr Nott sought to gain the overwhelming support of Conservative MPs for his strategy in the next decade.

But major anxieties appear to remain over the closure of Chatham dockyard and the rundown of Portsmouth, and Mr Nott spent much of his speech explaining why such drastic steps were necessary.

Mr Nott stressed that if the "painful employment changes" in the dockyards were accepted substantial resources would be released for refitting surface ships.

Mr Edward Heath, former Tory Prime Minister, supported the underlying strategy proposed by Mr. Nott but made two substantial criticisms which drew support from the Tory benches.

First, he wondered whether the rundown of the dockyards would make it feasible for ships in the Royal Navy Reserve Fleet to be refitted speedily at a time of national emergency.

Second, he was concerned at the effect the rundown in Britain's surface fleet might have on the defence of the Gulf. In his view this could be the key trouble spot and Britain was the only country with the naval resources to give protection.

The other key points made by Mr Heath were his unequivocal support for the Government's decision to acquire the Trident missile system as a replacement for Polaris, and the need for a more determined effort by the West to secure progress on arms control.

Mr Nott's main theme was that he had found it impossible to enhance Britain's front-line defence capacity without finding substantial savings elsewhere. He received widespread support on the Tory benches when he said he had concentrated cuts on the infrastructure rather than the front line.

The Defence Secretary was scathing about the drift in the Labour Party towards unilateral disarmament. In his view to abandon Britain's nuclear deterrent would inevitably undermine the arch supporting European conventional strength.

In his opinion the prime argument for Trident was the need for a weapons system which was invulnerable to pre-*emptive strike* and would survive as a credible weapons system for 30 years.

Mr Brynmor John, Labour's defence spokesman again accused the Government of not releasing the fullest account of the defence cuts.

Tory concern, Page 12

Banks account for about 14% of home loans market share

BY OUR BANKING CORRESPONDENT

BANKS NOW account for about 14 per cent of all new home loans in Britain. Following their aggressive move into house purchase last year, their market share is increasing rapidly.

There has been considerable uncertainty about the extent of the banks' penetration of this market because of the absence of statistics. But now, according to Mr Mike Hewitt, a Bank of England adviser, the banks probably account for 14 per cent of new lending.

This is believed to be the first official estimate of the scale of the banks' involvement in a market which has been hitherto dominated by the building societies.

Five years ago, the banks had less than 2 per cent of the market.

Last year, they began to move into the house mortgage market and recently they have been lending at the rate of £100m a month.

Over the last two years, bank lending for house purchase has been growing at an annual rate of over 30 per cent compared with a growth rate of less than 5 per cent a year in the mid-1970s.

The building societies are lending about £600m net a month; and this, together with the banks' £100m a month, implies an annual growth in housing loans of close to 20 per cent. Banks have £3.2bn of house loans outstanding — double the figure of three years ago.

Barclays has spearheaded the banks' invasion of the home loan market.

In the first six months it has committed over £315m and has said that it intends to lend £1bn before the end of next year.

Its present lending volume puts it on a par with one of the big five building societies.

Last month, it stepped up its attack on the home loan market by increasing the amount of money it was prepared to lend on property from 80 per cent to 90 per cent of valuation and abolishing the 1 per cent interest premium on the more expensive mortgages.

Williams and Glyn's has been also an aggressive lender. It has committed close to £100m, with another £40m in the pipeline. Midland has lent £100m to date, and is expected to announce big improvements in its home loans scheme later this week.

National Westminster has lent around £140m so far. Lloyds, which was the first in the field, has committed slightly over £50m.

The authorities are anxious to ensure that the rapid expansion of bank lending for house purchase does not inflate house prices and divert funds away from priority sectors such as manufacturing industry.

So far, however, the authorities see the banks as merely replacing part of the £250m to £300m a month siphoned out of the building societies by National Savings.

To this extent, the banks are helping to maintain an orderly flow of funds into the housing market.

BANK LENDING FOR HOUSE PURCHASE

Annual figures (Mid-May)	Amount outstanding £bn	Annual growth per cent
1976	1.31	4.5
1977	1.36	4.0
1978	1.54	12.6
1979	1.83	18.8
1980	2.45	34.3
1981	3.20	30.4

Source: Bank of England

City lending institutions under fire

By Christine Moir

CITY lending institutions were yesterday accused of rash and overgenerous attitudes towards financing companies as a result of over-competition.

The accusation was made by Viscount Caldecote, chairman of Finance for Industry, the investment group backed by City banks and financial institutions, during his annual statement accompanying the accounts.

Finance for Industry's new investment for the year dropped slightly from £278m to £266m, partly because the group was not prepared to offer finance on terms available from competitors in the market, he said.

Lord Caldecote included banks and venture capital organisations in his criticisms. He said that intense competition in the banking sector, had led to "margins which were inappropriate to the term of floating rate loans to larger companies."

Smaller, particularly unlisted companies, were now provided *with an over-supply of funds* for their use. Over-competition among newcomers in the venture capital industry had led to "terms being offered for shares in unlisted companies which are not only uneconomic in themselves, but in many cases *more generous than those* obtainable in listed securities."

Lord Caldecote warned that this could mean venture capital groups pulling out of the market in the future, creating "disillusionment with this form of investment and difficulties for *the companies concerned.*"

Finance for Industry has sharply increased its equity investments in small companies, from £8m to £13m in the year to March 31.

Investment down at FFI, Page 22

Sterling Continued from Page 1

their base lending rates.

The Bank yesterday also began the first of what will be a twice daily series of announcements about its *market* operations to provide a clearer explanation as the *new* monetary control system develops. This involved a sale and repurchase arrangement at interest rates ranging from 12 to 12¼ per cent.

The *other main influence* yesterday was the money supply figures. For the first time since the Civil Service dispute started, no attempt has been made to give a *precise estimate* of its impact.

The Bank said that assessing the effect has become increasingly difficult, but "the *underlying growth of sterling M3* during the current target period (since February) is unlikely to have been outside the 6 to 10 per cent range (of the official target)." This compares with an actual rise of 14½ per cent at an annual rate.

The *problem is that it is now* harder to tell the difference between expected and actual tax receipts and Government borrowing, while the impact of delayed tax payments on the level of bank deposits and lending is also obscure.

There is considerable official caution against too optimistic a *view of monetary trends.* In particular, industry's demand for bank loans could rise sharply when the Civil Service dispute ends, on top of the existing strong growth in lending to the personal sector. Moreover, recent sales of Government debt *have been on a scale which may* not continue and a close watch is being kept on the recent sharp rise in UK residents' holdings of foreign currency deposits (not in sterling M3).

Ford Continued from Page 1

56.7 per cent were supplied from the Spanish plant, although even this figure represents a substantial drop on 1980. *Output of Fiestas in* Dagenham in the early part of last year was only 70 a day, but had built up to 140 a day by mid-year.

The Fiesta decision is in line with Ford's declared intention to reduce its dependence on Continental plants. *Apart from* the new Escort, which is supplied mostly from Halewood, it has increased production of the Cortina at Dagenham and reduced its intake from the Belgian plant at Genk. In the first half of 1980, about 48 per cent of Fords sold in the UK were made in Britain; in the first half of this year the level had risen to nearly 58 per cent.

Contrasting with the optimistic news from Ford, the Reliant Motor Company, of Tamworth, Staffs., yesterday announced that it was shedding 250 jobs, or a third of the workforce which produces Reliant Scimitar sports cars, Kitten small cars and Robin three-wheelers.

Meanwhile, Mr John Nott, the Defence Secretary, confirmed that the Ministry of Defence had cut its usual annual order for 3,000 vehicles to BL's Land-Rover subsidiary to about 300 this year.

Continued from Page 1

Hamilton

four wells in and around the Argyll Field during the next few months. So far, over 35.5m barrels of oil have been recovered from Argyll. Consultants estimate that the reservoir could contain a further 13.4m barrels of proven and probable reserves.

Hamilton Oil GB's profits before tax have ranged from £9.7m in 1976 to £5.9m in 1977, £4.65m in 1978, £12m in 1979 and £18.9m in 1980. Earnings per share last year based on 50m shares in issue were 18.4p.

Net tangible assets at December 31 1980 were £16.38m, including £4.5m for North Sea oil and gas properties and £33m in cash.

Weather

UK TODAY

Warm and dry in most areas.

S.E., E., N.E., England, Channel Islands, S.E. and Central Scotland

Dry. Sunny. Very warm. Max. 25C (77F).

S.W. England, Wales, S.W. Scotland

Mainly dry. Cloudy. Sunny periods. Max. 23C (73F).

N.E., N.W. Scotland and N. Ireland

Cloudy. Rain in places. Max. 18C (64F).

Outlook: Warm and dry, some thunder.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	25	77	L. Ang.†		—	—
Algiers	F	30	86	Luxmbg.	F	23	73
Amsdm.	C	18	64	Luxor	S	42	108
Athens	S	26	79	Madrid	S	30	86
Bahrain		—	—	Majorca	S	32	90
Barcelna.	S	26	79	Malaga	F	27	79
Beirut	S	30	86	Malta	S	30	88
Belfast	R	17	63	M'chstr	C	18	64
Belgrd.	F	23	73	Melbne.		—	—
Berlin	C	25	77	Mx. C.†		—	—
Biarritz	F	28	82	Miami†		—	—
Bmghm.	C	18	64	Milan	S	28	82
Blackpl.	C	18	64	Montrl.†		—	—
Bordx.	F	27	81	Moscow	F	26	79
Boulgn.	S	18	64	Munich	F	23	73
Bristol	F	20	68	Nairobi		—	—
Brussels	F	22	72	Naples	S	28	82
Budpst.	F	24	75	Nassau.		—	—
Cairo		—	—	Nwcstl.	C	19	66
Cardiff	S	19	66	N. York†		—	—
Cas'b'ca	C	23	73	Nice	S	25	77
Cape T.		—	—	Nicosia		—	—
Chicg.†		—	—	Oporto	S	27	81
Cologne	F	23	73	Oslo	C	18	64
Cpnhgn.	S	22	72	Paris	F	25	77
Corfu	S	28	82	Perth		—	—
Denver†		—	—	Prague	F	24	75
Dublin	C	19	66	Reykjvk.	S	13	55
Dbrvnk.	F	26	79	Rhodes	S	25	77
Ednbgh.	C	18	64	Rio-J'o		—	—
Faro	S	29	84	Rome	S	31	88
Florence	S	29	84	Salzbrg.	C	22	72
Frankft.	F	24	75	S F'cisco†		—	—
Funchal	F	22	72	S. Moritz		—	—
Geneva	S	25	77	Singapr.		—	—
Gibraltar	F	25	77	S'tiago.†		—	—
Glasgow	C	18	64	Stckhm.	F	20	68
G'rnsey	F	18	64	Strasbg.	S	25	77
Helsinki	S	21	70	Sydney		—	—
H. Kong		—	—	Tangier	S	28	82
Innsbrk.	F	23	73	Tel Aviv	S	28	82
Invrnss.	C	18	64	Tenerife	S	25	77
I.o.Man		—	—	Tokyo		—	—
Istanbul	C	20	68	T'ronto†		—	—
Jersey	F	18	64	Tunis		—	—
Jo'burg		—	—	Valencia	F	27	81
L. Plms.	F	23	73	Venice	S	27	81
Lisbon	S	22	72	Vienna	F	26	79
Locarno	F	26	79	Warsaw	F	23	73
London	S	21	70	Zurich	S	24	75

C—Cloudy. F—Fair. R—Rain. S—Sunny.
† Noon GMT temperatures.

Government to outline rates alternatives

BY ROBIN PAULEY

THE GOVERNMENT is to outline four ways of raising revenue as possible alternatives to domestic rates in a Green Paper in the autumn.

The suggestions are: a poll tax; a local sales tax; a local income tax and abolition of the rates with no direct replacement but total funding of local services from central Government.

The list for discussion has been whittled down from about 12 alternatives after months of work by the Environment Department.

Each of the four suggestions has been dismissed in the past after discussion of previous reports and papers, so the present rating system might survive, but on a different basis, such as capital valuations.

A *poll tax is understood to be* favoured by Mr Michael Heseltine, Environment Secretary. Each person on the electoral register would be liable to pay the tax. Its advantage is that people are registered in the area in which they live. But, since electoral registers are out of date when they appear, there could be wide scope for evasion.

Such a tax could also be an incentive not to be on the electoral roll. The greatest objection is likely to come from the civil liberties lobby while the Home Office is already unhappy that an electoral list might be used for taxation.

A local sales tax has been a favourite of Mrs Thatcher although it has always been rejected.

The main objections are that it would be difficult to maintain accountability. It is easy to *boundary-hop* in Britain because local authority boundaries are close, enabling people to vote for a high level of services where they live and pay the tax by shopping in an area levying a low rate. This would leave an authority unable to predict its likely income.

A sales tax also feeds directly into the retail price index, although *this would largely be* compensated for by the removal of the impact of rates from the index. There is some doubt, however, as to whether a variable local sales tax would contravene EEC regulations.

A local income tax has been included in the draft Green Paper because no discussion about alternatives to rates can take place without it. But it faces formidable opponents including Mrs Thatcher. She does not want to be seen introducing a direct income tax. The Inland Revenue and the Treasury are also against it.

The Inland Revenue computer could not handle a local income tax without modification and it would take several years to introduce.

The fourth suggestion has been included to allow discussion about changing local government into an arm or agency of central government an idea strongly favoured by the Treasury but not by many other departments. The Cabinet is thought to regard it as a non-runner.

Its political attraction is that the Government would have total control over all local expenditure. The electoral attraction is that the abolition without replacement of domestic rates would be enormously popular. The idea would be to add a little on to various other taxes—VAT and/or, income tax or national insurance contributions—to replace lost revenue.

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